

Bosnian peace plan

Winter will not wait for more delays



Gothic corridors Whiff of scandal Wits the world's oldest bank



Headquarters and homes of ex-GM executives searched in alleged espionage probe

Running faster Stuttgart victories a leg-up for Puma



TOMORROW'S Weekend FT n search of a vanished Jewish community

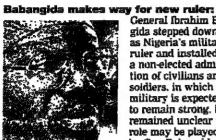
FINANCIAL TIMES

Bundesbank key interest rates remain unaltered

The German Bundesbank maintained its monetary policy and refused to cut its most important interest rates in spite of expectations by the financial markets. In a renewed show of determination to take a long-term view of inflation prospects and the growth of money supply in the German economy, the central bank council left its discount rate at 6.75 per cent, and the Lombard rate at

Economists in Paris said the decision could delay reductions in French interest rates. Page 14; Editorial Comment, Page 13; Lex., Page 14

UK recovery hopes: Hopes that the UK's economic recovery may prove lasting were boosted by news that UK manufacturers' order books are at their best levels for 31: years. Page 14



General Ibrahim Babangida stepped down as Nigeria's military ruler and installed a non-elected administration of civilians and soldiers, in which the military is expected to remain strong. It remained unclear what role may be played by Gen Babangida, who seized power in

1985. Chief Ernest Shonekan (left), head of the outgoing administration which served under Gen Babangida, was named as head of Nigeria's interim government. Page 14

Bosnian factions vote: The assemblies of the three factions fighting in Bosnia vote today on the proposal to divide their republic put forward last week by Lord Owen and Mr Thorvald Stoltenberg, international mediators. Page 3

Reuters shareholders have flocked to take advantage of the international news and information group's special £350m (\$518m) share buy-back

Chemical groups gloomy: Two of Europe's biggest chemical companies, both German-based, warned that there is no prospect of economic recovery in Europe this year. Profits at BASF fell by 51 per cent in the second quarter to DM245m (\$142.4m), while Bayer expects earnings to drop 20 per cent to around DM2bn (\$1.1bn) this year. Page 15; Details, Page 17

Sweden joited by IMF report: Sweden's centre-right government was joited by a leaked report from the International Monetary Fund which said its plans for cutting the country's huge budget deficit was inadequate. Publication of the report in a newspaper prompted a slide in the Swedish krona and a rise in interest rates.

Russian options for CIS: Russia is offering members of the Commonwealth of Independent States a choice of three options for economic relationships and co-operation. Page 3

Continental, the German tyre maker, saw earnings slide for the first half, with net profits at DM31.8m (\$18.5m) compared with DM118.7m year on year. Page 15

Brazil telecoms chief faces quiz: The president of Telebrás, Brazil's state telecommunica tions company, has been called to testify before Congress, to explain allegations that his former finance director attempted to extort \$15m from Merrill Lynch, the US securities house. Page 4

Taiwan jet talks continue: Talks on rescuing the proposed regional jet joint venture between British Aerospace and Taiwan Aerospace Corporation splintered into a series of meetings largely among Taiwanese officials over the details of a droft deal. Page 6

NEC, the Japanese electronics group, has downgraded forecasts for pre-tax profits for the year ending next March to Y50bn (\$283m) from Y50bn, citing prolonged weakness in the Japanese economy. Page 17

Skanska and MCC, the two leading Swedish construction and real estate groups, reported sharply improved first-half figures. But they relied on gains from divestments and the absence of write-downs to compensate for the continued deterioration in market conditions. Page 16

Helneken, the big Dutch brewer, is recalling 3.12 million bottles shipped to eight countries in the last two weeks, because of fears that a fault in the glass could cause small glass chips to fall into the beer.

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Police raid VW head

offices for Opel data

in Frankfurt, Judy Dempsey in Wolfsburg and Quentin Peel

MORE than 60 police and criminal investigators yesterday raided Volkswagen's head offices and the homes of several VW executives to search for secret data allegedly stolen from Adam Opel, the General Motors German

At 9.30am, search squads simultaneously entered eight sep-

Wolfsburg

GERMANY

move yet in four-month-old investigation into allegations of industrial espionage against Mr José Ignacio López de Arriortúa, VW's production director, and three

The residences of the four men, all of whom abruptly joined VW from the US group last March, are understood to have been among the targets. Also searched

Around 20 public prosecution officials, an unknown number of officers from the federal criminal have taken part.

a VW spokesman said. He had no information on any material which might have been removed. The raid is the most significant development made known pub-

arate locations in and around Wolfsburg in the most dramatic

was the VW management institute in Braunschweig, close to the company headquarters in Wolfsburg, and the group's official guesthouse.

bureau and 40 police from three municipal forces are believed to The search had been suspended by 19.30 last night, but officers were due to return this morning,

licly since confirmation in mid-July that secret Opel documents. last night, when he was expected to present the Opel chief with a expecting a search, and wel-



Police load papers into a car at the rear of Mr López's house yesterday. VW's head offices and the homes of four of its executives were raided

some allegedly assembled at Mr López's instructions, had been found in the former home of two of his associates. Speculation grew yesterday that Mr Lopez

might be forced to quit.

In a newspaper interview yesterday, Mr Klaus Liesen, head of the group's supervisory board. backed away from former statements implying unconditional backing for Mr Lopez. "I will put my hand in the fire for no-one." he said.

Yesterday's search comes at a delicate moment in efforts by Mr Günter Rexrodt, German Economics minister, to broker peace talks between Mr Plech and Mr

David Herman, Opel chairman. The minister was due to meet Mr Herman at Frankfurt airport draft public apology from Mr Piech for insinuations made by the VW head and colleagues against the GM group.

Mr Franz Wauschkuhn, Mr Rexrodt's spokesman, said yesterday that the government had no interest in the legal issues, "but we must think beyond the immediate situation to the longer

The minister was worried because of potential damage to relations between US and Germany. "A way must be found for them to work together sensibly . . . Asian competitors must be rubbing their hands," Mr Wauschkuhn added.

VW's public relations team appeared relaxed and well-re-hearsed as the raid took place. LOPEZ AFFAIR: Page 2

■ Competitors watch 'miracle man' self-destructing

relish the limelight ■ Good PR helped GM chief outshine rival

Shy investigators

Page 16

W unlikely to break even Editorial Comment Page 13

comed it as a step likely to end the speculation about Mr Lépez. Mr Ferdinand Pièch, group chairman, was out of the plant at ciates had not yet been inter-

about which had circulated for

almost two weeks.
Mr Georg Nauth spokesman for the Darmstadt public prosecu-tors' office in charge of the crimi-nal investigation, said the office had needed time to question witnesses and examine further evidence to pinpoint the data to be looked for and the most likely places for it to be found. It was unlikely that statements would be issued immediately on any

possible evidence uncovered. Mr Nauth said as well as interrogating junior VW employees, who allegedly fed Opel data into the VW database, the prosecutor in charge of the case, Ms Dorothen Holland, had also questioned Mr Carl Hahn, former VW chairman. Mr López and his asso-

Police convoy surprises workers of Wolfsburg

By Judy Dempsey in Wolfsburg

Volkswagen's home town, did not know about the plainclothes police and lawyers who arrived in convoy at the giant factory yesterday morning.

They did not see, or hear the seven vehicles - two Volkswagen mini-vans and five Opel saloons - which just before 10am snaked along the wide, tree-lined entrance to VW's 13-storey administrative block.

"Sure, we knew about all the rumours. But they raided the place

today? Wow, that's a big surprise! Well, Germany from Italy as immigrant workers in the late 1950s.

in the Tunnel Schänke pub, the men smoking and drinking in the long, parrow building close to the factory gates, barely believed it.

"You're joking. You mean to tell us that the police are on the 13th floor [where directors' offices and VW lawyers are based). Here at VW," asked Mr Martin Liesner, an engineer at VW for 20 years. "But what do they want?"

Everyone in Wolfsburg either works Mr Lutz Schilling, VW's director of he added, with commendable same-froid. town's 130,000 population works there. "Wolfsburg is Volkswagen," local offi-

cials say. "It is fair to say that a member of each family has at some time over the past 50 years worked here," said an

official at the mayor's office. With local unemployment at around 8 per cent, the town's workers want the affair over. "López is our hope," said Mr Liesner. "he can make Volkswagen competitive, he can give us security."

also checking out the marketing and management institute [a building close to VW's private houses] and some guest houses," all of them in the centre and

VW's legal department is on the 13th floor. So is Mr José Ignacio López de Arriortua's office. "From there, Mr López has a view, and a vision" said Mr Schilling, adding that Mr López was "working all day" yesterday.

"Actually, this raid is not a surprise,"

When gold must do more than glitter

well." exclaimed Mario, a 24-year-old for VW or knows someone who works communications, explained: "It is not "We were expecting it to take place VW technician. Mario's parents came to there. In fact more than 54,000 of the only affecting the 12th floor. They are sooner. At least it will clear the air. We will help the investigators in any way. This will end the speculation." But he conceded: "This is not a fine day for

You ask me what is behind all this?" Mr Schilling said. "Well, the fact that Lopez left the number one car manufacturer in the world...it was a shock for them." He added: "We are happy to have Lopez. He is the best manager in the field, the state prosecutors will give a complete picture at last."

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Fall in Kohl hints he may sales hits Europe's

carmakers By Kevin Done, Motor Industry Correspondent, in London

VOLKSWAGEN and Renault, two of Europe's leading volume carmakers, yesterday announced a dramatic deterioration in their financial performances following the steep fall in west European

new car sales this year. Volvo of Sweden, which is expected soon to complete a full merger with Renault, achieved a modest return to profit, however, after suffering heavy net losses in 1990 and 1992 and operating

losses in 1991 and 1992. Renault, the French state-controlled car and commercial vehicle maker, said its pre-tax profits had plunged by almost 90 per cent in the first six months this year to only FFr730m (\$125m) from FFr5.4bn in the

same period a year ago.
It warned that it saw "no sign of recovery in the European market for cars and commercial vehicles," and said that it would have to scale down production in the second half to match

Volkswagen, the beleaguered leader of the European car industry, confirmed yesterday that it Continued on Page 14

top level since the currency upheavals of July caused the collapse of the exchange rate mechanism. prompting harsh words from Paris blaming Germany in general, and the strict monetary

> There were no barsh words yesterday, with both Mr Kohl and Mr Balladur declaring their closest possible co-operation as beyond doubt or possible disrup-tion. Yet no one had expected Mr Kohl to go further in support of

"We have also got problems with the agricultural part of the negotiations, with the Blair House agreement," Mr Kohl

Any suggestion of a renegotia-

Continued on Page 14 Paris comes to terms with new monetary order, Page 3

back France over farm trade talks By Quentin Peel in Bonn iN an extraordinary gesture of Franco-German solidarity, Chan-cellor Helmut Kohl yesterday

hinted strongly that he was pre-pared to back France in seeking new concessions from the US on farm exports.

His words were immediately welcomed by French officials as a vital move to break the deadlock on farm trade in the Gatt negotia-

However, this caused alarm and confusion in several German ministries. A senior official in the chancellor's own office insisted that he was not calling for formal renegotiation of last year's crucial EC-US agreement on dismantling farm trade subsidies.

Mr Kohl declared his support for a compromise on the so-called Blair House agreement on farm trade as part of a passionate restatement of his commitment to the Franco-German alliance as the driving force of European integration.

Speaking after two hours of talks with Mr Edouard Balladur, the French prime minister, he said both sides were committed to giving Europe a new impetus and both were committed to the timetable for eventual economic

policy of the Bundesbank in particular, for the crisis.

France's determined opposition to the EC-US farm trade deal.

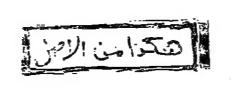
was calling for renegotiation, Mr Kohl said: "We must find a compromise acceptable for everyone. The Blair House agreement as it stands has some problem areas for us as well ... It is in the interests of Germany to arrive rapidly at an agreement, and naturally a reasonable agreement."

tion of that painful compromise

TO THE PROPERTY OF THE PROPERT World Trade News

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NEWS: VW AND THE LOPEZ ESPIONAGE AFFAIR

The raids yesterday by German police and prosecutors on Volkswagen's headquarters and other facilities in Wolfsburg marked an extraordinary day in the history of the German car industry. Officials in Bonn did not hide their concern over the potential political and economic damage which could ensue from the battle "between two great German car companies". Christopher Parkes examines the personalities and issues in what one German judge said could be 'potentially the biggestever case of industrial espionage'.

Shy investigators relish the limelight

and a jump-start for German public prosecutors to get down to the real work of investigating Adam Opel's suspicions of theft and industrial espionage against Mr José Ignacio López de Arriottua and several of his

But as yesterday's raid in Lower Saxony demonstrated, things have moved on apace

Opel first laid its suspicions before the economic crimes division in the Darmstadt prosecutors' office at the end of April. It followed up as requested with more information and written sworn testimony from Opel employees in nearby Rüsselsheim and GM staff in Detroit, documenting allegations of systematic data collection.

In the meantime, Ms Dorothea Holland, the investigator in charge of the case, took a

Even when she returned. Opel was frustrated by the lack apparent movement. although the nature of criminal investigators' work - in Germany as elsewhere – militates against transparency. However, after a little judicious prompting through the good offices of the Hesse state justice ministry in late June. Ms Holland and her team had their heads down and have had them down since.

What a German judge recently described as "potentially the biggest-ever case of industrial espionage" and what is persistently proclaimed a "unique" probe in local media reports, has clearly caught the imagination of the office's 70-

Accustomed to a low profile

THE PROSECUTORS

and little media interest, they now seemingly welcome the attention. Mr Georg Nauth, a senior prosecutor and spokes-man for the team, has become a common sight on television. He, too, has polished up his

act after an uncertain beginning. He even appears to have bought a new tie. Although his repertoire of rigorous "no comments" and occasional drip-led details remains the standard

See Lex, Editorial Comment. VW results, Section

fare, he seems to enjoy mildly teasing clamorous journalists, and is not afraid of speaking

It was specifically in response to the clamour that he issued an explosive press release in late July. This revealed that documents which should have been restricted to the top management of General Motors and its German subsidiary, Adam Opel, had been found - "where they did not belong". Mr Nauth noted in boxes left in a house, apparently by colleagues of Mr Lupez who had followed him to

The VW production director was also declared to have had a direct connection with some of the other data.

Charges from Mr Ferdinand Piech. VW chairman, that the statement was one-sided - on the grounds that only Opel people had been asked to iden-

ble". Why, he wondered, would anyone ask Opel's arch-rival to identify what seemed to be

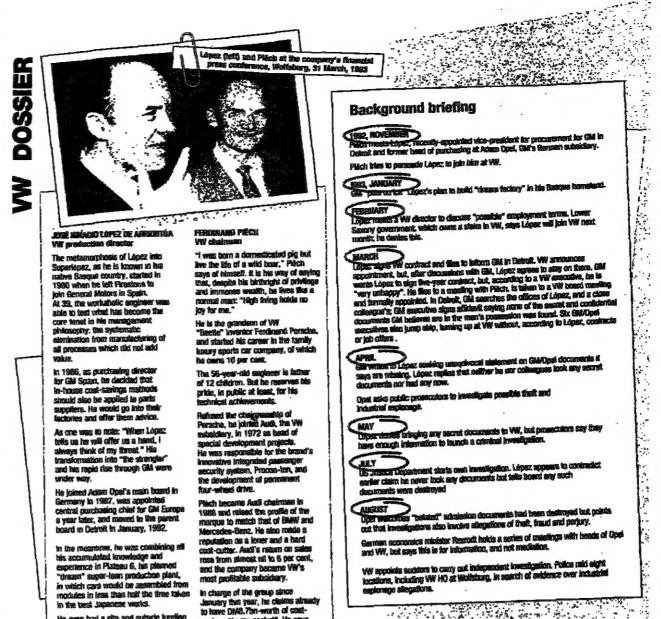
secret Opel property?
Meanwhile, his press statement noted, the probe would continue with particular emphasis on the interrogation of VW employees. Since then, Mr Carl Hahn, former chairman of VW, Mr Daniel Goeudevert, a recently-ousted board member, and Mr Klaus Liesen, head of the VW supervisory

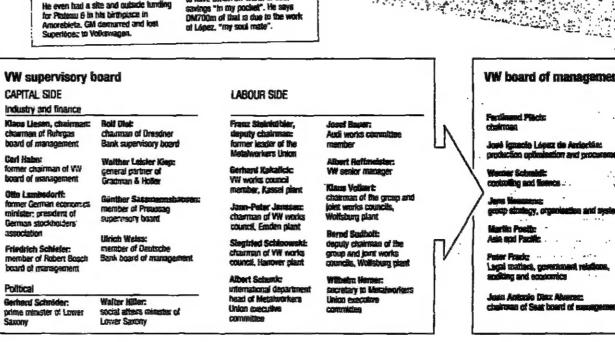
board, have been to Darmstadt. But the most promising recent witnesses appear to bave been far more junior employees, including computer operators who might have inserted Opel data into the VW

Ms Holland has remained throughout unapproachable and silent. But Mr Nauth, separated from the central investigation by a "Chinese wall". continued to spice his permitted briefings with his own com-

Just over a week ago, for example, when VW was launching its own private investigation of its files and data bases, he appeared almost scornful. The prosecutors' office was in possession of more information than was available to independent auditors. It also had more powers. The VW team could not quessworn witnesses, nor could it confiscate documents, he said.

The prosecutors demonstrated some of these powers in vesterday's swoop. Mr Nauth, meanwhile, leaves for holiday today heading for a Tunisian beach with a good





VW board of management

Peace plea fails to catch the mood

Rexrodt is caught up in an inter-family squabble he believes has gone too far

MR Günter Rexrodt, the German economics minister, was due to have parental chat with Mr David Herman. Opel chairman, at Frankfurt airport last night.

At the end of a day of extraordinary events at Volkswagen headquarters, he was seeking, as he has for the past week, to defuse the clash between Mr Herman and Mr Ferdinand Piech, VW chairman.

We say it is unique for two great German motor companies to fighting like this in public," the minister's spokesman said yesterday. "He concluded we must do something because it seems in this case that there is such human friction, we must bring people to

It was the minister's job to try to prevent damage to political and business relations between the US and Germany, his spokesman

It has been suggested for some weeks by lowlier politicians and business leaders that the clash over suspected industrial espionage could well cause the sort of damage Mr Rexrodt now fears.

THE MINISTER

He even had a site and outside funding

But it was only a week ago, after a call from Mr Piech, that the minister acted. His attitude appears to be that there is a inter-family squabble going on, and his job is to shut the quarrelsome children in separate rooms and try quietly to talk some sense into the parents.

Opel has said it will be prepared to

exchange letters with VW provided public apologies are forthcoming from the other side. It wants a withdrawal of remarks suggesting that the US-owned company is spearheading an American campaign to undermine the German motor industry and that it planted evidence prejudicial to criminal

But while the probe continues at its heated pace, tempers are hardly likely to be cool enough for a the alleged theft of Opel data and reasonable, let alone a useful

is Opel, which appears so far to have the best hand, likely to want to be seen talking publicly. Any rapprochement could be interpreted as a sign of weakness. The three-way contacts, supposed to be held in secret, have been routinely followed by heartening press releases from Mr Otto Wachs, a Volkswagen

Nor has Opel been pleased by statements attributed to Mr Rexrodt to the effect that he wanted the case settled in the civil courts.

While the minister probably appreciates that the criminal case is entirely out of Opel's, VW's and political hands, his initiative came late in the day. That it followed Mr Piech's widely criticised insinuations against Opel, which were in turn followed by an abortive attempt by the VW chief to open peace talks, could leave Mr Rexrodt open to suggestions that he may not be acting altogether with the common good in mind. Opel, which has stuck rigorously to its claim that it has

exchange between the two sides. Nor reasonable grounds for suspicion -confirmed by public prosecutors - might reasonably ask why no political initiatives or support were forthcoming when it first declared itself the injured party. The substance of its suspicions is that former employees decamped to VW in possession of virtually all its business strategy for the next 10

"A way must be found for them to work together sensibly... their Asian competitors must be rubbing their hands," said Mr Rexrodt's spokesman. "US and European companies should co-operate to

resist Asian dumping." That seems more an issue for Mr Rezrodt. There is already common ground between Mr Herman and Mr Piech. Neither needs reminding of the Japanese threat, and both know that at some stage the bridges between their two groups must be rebuilt. But the best time is probably when the full extent of the local damage has been assessed, and last night seemed hardly suitable.

Good PR gives GM chief the edge

THE 'VICTIM'

THE patch of calm at the eye of the storm seems to suit Mr David Herman, chairman of David Herman, Charman of Adam Opel, the German subsidiary of General Motors.
From his office in Rüsselsheim, near Frankfurt, little seen and seldom heard, he has conducted his company's campaign in the Lopez affair with a conviction and consistency in striking contrast to the chaotic style of his Volkswagen counterpart, Mr Ferdinand Piech.

Legal training embellished with a bit of New York street wisdom gained in childhood has given him an edge in the fracas over Mr Piech, the engineer from Vienna. He has a mild, relaxed manner. Mr Piëch is tense and cold.

Mr Herman's standpoint has not wavered from the start of the affair this spring, when it became known that Opel had registered with the German public prosecution service its suspicions of the theft of thousands of items of secret data by Mr José Ignacio López de Arriortúa aud several colleagues who followed him from GM to VW.

His often-repeated statement They had our documents. We don't have them now, and they say they don't. Then where the hell are they?" colourfully

encapsulates Opel's case.

Reporters from the magazine, Der Spiegel, have been allowed a long leash and granted considerable access from the top level to Opel and General Motors employees and property. Starting in May, revelations and claims in the news weekly - many since strengthened or largely substantiated - have played a key role in Opel's

They have kept the public prosecutors on their toes. But more important, magazine's reports are the source from which German popular and political belief in Opel's integrity and motives have grown steadily as the

case has progressed. Skilful public affairs management is not common or even much-valued in German industry. This is a failing which Mr Piech and Mr Klaus Liesen, the worried chairman of his board of supervisors, have regretfully acknowledged

in the past few weeks. While Mr Herman may be satisfied with his team's PR shocked by the reaction. He said at the outset that he expected Opel and General Motors to be attacked. But his liberal American mentality was not prepared for repeated Gerhard Schröder, the prime minister of VW's home state of Lower Saxony, that this was a commercially-motivated attack by a "foreign" company on Germany's finest. Adam Opel has been established for 130 years in Germany and provides and supports 400,000 jobs. Nor was Mr Herman, the lawyer. impressed by suggestions that he was using the law, out of pique, as a weapon in a personal attack on Mr

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"Inaki" López was once a close colleague. They met first in the late 1970s when both worked for GM in Spain, where both were given their first real chance to prove themselves in business. Spain, where he met his wife, Mr Herman readily admits, "is associated with all the best things that ever happened to me".

Germany, where he has been in charge of Adam Opel for just over a year in the middle of what Mr Piech describes as the worst motor industry crisis . since the war, has some way to go to match that

Fascinated rivals watch 'miracle man' self-destructing

Kevin Done uncovers the private thoughts on the VW affair in other boardrooms

VOLKSWAGEN'S rivals are watching with horrified fascination as the top management of the leading European car producer threatens

German police enter the VW headquarters early yesterday

The group's components suppliers. who are bearing the brunt of Volkswagen's frantic attempts to cut costs, react vitriolically in private towards the new regime in Wolfsburg headed by Mr Ferdinand Piech and Mr José Ignacio López de Arrior-

In public they are more circum-spect. After all, Volkswagen is one of their biggest customers.

The fate of Volkswagen leaves no part of the motor industry untouched. It is the world's fourth General Motors, Ford and Toyota. For eight years in succession it has sold more cars in western Europe than any other carmaker and in the

over its rivals. It is the main European standard and Europe's best attempt yet at creating a global carmaker with manufacturing operations stretching

THE INDUSTRY

from eastern Europe to Mexico and Brazil, South Africa and China. In different parts of the world it has formed significant alliances with other giants in the industry, most importantly Ford in Latin America and Europe and Toyota in Europe and Japan

It is a key customer of many of the world's leading components suppliers with purchases of parts and materials worldwide totalling DM53.8bn (£21.5bn) last year. The tremors from Wolfsburg travel round the world.

The unanimous view among rival

carmakers and top suppliers is that Mr López cannot last much longer. And most are beginning to doubt that Mr Piech will survive Mr López's departure. The credibility of both as the corporate leaders of one of Europe's biggest industrial concerns - whatever their abilities as

More important, beyond the personalities there is concern among suppliers about the symptoms of

mismanagement and misguided stra- to help to turn VW round. Piech is a ability." tegic thinking that may be common to both VW and General Motors, Mr López's former employer, as they seek to put their respective houses in order through short-term miracle fixes from the messianic bearer of some new holy grail for cutting

First the personalities. "I think

zealot. He sees himself as the sav-Competing carmakers give Mr Piech credit for having identified the causes of VW's underlying problems, but not for his autocratic manage-

"He has identified the main areas Lopez is a dead duck," says the chief that need fixing." says one chief

ment style, which is seen as rule

'I think López is a dead duck,' says a supplier. 'I don't think VW can keep him. I think Piech will go too.'

executive of one of the world's biggest automotive components producers and an important supplier to Volkswagen, "I don't think VW can keep him. I think Piech will go too." The head of a rival carmaker in Europe says of López, "the smartest thing would be to suspend him and wait for the prosecutors and the courts to finish their investigations.

But Ptech thinks he needs Lopez

they have too many people, their plants are over-facilitised, they have too many costs in Germany, and their material costs are not competi-

"But you cannot just order it to be done. It needs a softer touch. You have to take more people along with you. VW is still a magic marque and they have reservoirs of technical

The chief executive of another caraker in Europe remains astonished at the size of the reported financial package given to Mr Lopez and the impact that will have inside VW and outside in the industry. "For that money you are paying a miracle worker. Then his colleagues will say, you are paid to work miracles, you

Among some of the biggest components suppliers there is also concern at the way in which first General Motors, and now Volkswagen are trying to batter down their purchasing costs.

The rhetoric in the industry is all

about reform of the old adversarial relationships between the vehicle makers and their suppliers.

Some have taken the reforms seriously, forming long-term relation-ships with key suppliers, giving the suppliers responsibility for research and development but also giving life-time contracts building on shared continuous improvement. Chrysler is now the shining example for the

The Lopez approach is seen by

suppliers as having the same rheto-ric, but in reality the old approach is

There is shock and confusion at suppliers. We have contracts where we have spent millions of D-Marks, where we have shaken hands, but where there were no formal signa-tures. And Lopez came in and said he was putting the business out for new tenders.
"Lopez got carried away with him-

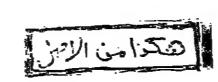
self in the US, he was given the role and mantle of saviour," says a chief executive in the components indus-

"Both VW and GM must now act to regain the confidence of their suppliers. Their approach hurts, because suppliers cut corners, they will not invest for the vehicle mak-ers. There will be recalls, assembly lines shut down and customer dissat-

In the bare knuckle fight with GM over Mr Lopez and industrial espio-nage, Mr Piech has cast himself as the saviour of the European car industry, but his performance to date has won few converts among

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Germany to tighten curbs on far right

MR Manfred Kanther, Germany's interior minister, yesterday pledged to step up surveillance of far-right organisations as the number of racist crimes was reported to have risen dramatically last year. Crimes committed by farright groups increased by 70 per cent in 1992 to 2,584, of which 17 led to deaths. More than 90 per cent of the violence was directed against foreigners, the office for the protec-tion of the constitution, the German internal security agency, said in its annual report. The wave of politicallymotivated violence is continu-ing this year, with 1,300 crimes

months. The number of people joining far-right organisations rose by 2,000 to nearly 43,000 last ar. Members were spread in 82 groups, as compared with 76 the year before.

reported in the first six

Mr Kanther said the security services would intensify their surveillance of groups from both the far right and the far left. But he stressed that police and legal actions should be combined with social and educational measures to prevent more youngsters from joining existing far-right

Mr Kanther blamed the media for showing violence on television and called on municipalities to take measures to get young, jobless people "off the streets'

Such words are likely to provide little comfort to organisations which have been lobbying for tough action to crack down on far-right violence.

Leaders of the local Turkish community, whose members have been regularly singled out for murder attempts, have been calling for a strict antidiscrimination law as well as bans on extreme political organisations. They say that the conservative government has been reluctant to investigate the links between the aggressors and far-right politi-

cal groups.

The federal Interior Ministry last year banned three of the 34 existing for-right groupings in Germany.

Legal suits have also been brought against two of their leaders for abusing the freedom of expression guaranteed

Mr Kanther said bans were a last resort. He added that no new law was needed but that the existing legal framework should be improved. Measures proposed by the government aim to facilitate police investigations and to introduce higher penalties for people obstructing the judiciary.

Far-left groupings incres their membership by 2,000 last year to 28,500 members.



The UN under secretary-general for peacekeeping, Mr Kofi Annan, entering the Bosnian presidency building in Sarajevo yesterday for a meeting with President Alija Izetbegovic

Bosnian peace plan awaits final Moslem verdict

and Michael Littlejohns, UN Correspondent in New York

THE future of the peace plan for Bosnia today hangs in the balance as the three ethnic essemblies vote on a proposal to divide their republic.

The Bosnian parliament was seen as holding the most crucial vote as Serb and Croat assemblies were likely to back the pisn after endorsement by their leaders. Mr Alija Izetbegovic, Bosnia's president, has already said he could not support the proposal which leaves the mostly Moslem republic with disjointed landlocked

Bosnia's Serb, Crost and Moslem leaders are due to return to Geneva next week to deliver the verdicts of their carliaments. Deputies to the Serb assem-

bly yesterday met behind closed-doors in Pale, their mountain stronghold outside Sarajevo, amid reports of complaints that Serb leaders had given too many concessions to their rivals.

The proposed map, put forward last week by Lord Owen and Thorvald Stoltenberg, international mediators, in an attempt to end the 17-month war gives Serbs about 54 per cent of territory, Croats 17 per cent, and Moslems some 28 per

In a move to consolidate his control over the Yugoslav

troops dan Milosevic yesterday sacked 42 generals, including chief-of-staff, General Zivota

Gen Momcilo Perisic, age 49, who was promoted to that rank during the Croatian war. He drew widespread criticism from western diplomats in April 1992 for ordering intense bombardment of the southwestern town of Mostar, now consumed by Croat-Moslem

The European Community yesterday said it would study how it can help administer Mostar provided Bosnia's warring parties accept a Geneva

Panic. He will be replaced by

The carefully worded statement, issued through the Belgian presidency, avoided any final commitment to the idea announced by Lord Owen last week that the EC should take charge of administering Mostar for two years.

In New York, it was amounced last night that Mr Thorvald Stoltenberg, the UN special envoy, and Gen Jean Cot, force commander, bad ordered an investigation into allegations of "improper conduct" by UN troops and civilian personnel in former Yugo-

This was focusing on Sarajevo where some UN soldiers and civilians are alleged to have trafficked in drugs and engaged in black marketeering and a prostitution racket.

UN chief to warn Nato on

at the UN. New York

MR Boutros Boutros Ghali, the UN secretary general, is expec-ted to tell Mr Manfred Wörner, the secretary general of Nato. that the UN will be unable to provide the estimated 40,000 additional peacekeepers needed to enforce any Bosnia settlement because of lack of funds.

Mr Boutros Ghali will meet Mr Wörner in Geneva next Monday, when talks between the warring parties are scheduled to resume. Mr Boutros Ghali has already given this message to Mr Thorvald Stoltenberg, his representative in the peace talks.

Also, the secretary general believes the proposed number would be unacceptable to the UN Security Council, although it is substantially lower than the 50,000-75,000 troops envisaged in an earlier, now defunct, plan drafted by Mr Cyrus Vance and Lord Owen.

Despite personal appeals to government leaders, the secreto obtain more soldiers to bring operations in Somalia, former Yugoslavia and else where up to strength.

Some troop contributors have been waiting 10 years for payment Mr Boutros Ghali warned

members recently that if he did not receive new funds soon the UN would be bankrupt by the end of this month.

Paris comes to terms with new monetary order of the ERM

Hybrid policy found for franc

FRANCE'S political and financial leaders have been tight-lipped about the direction of monetary policy in the three weeks since the European exchange rate mechanism was forced into humiliating reform.

However, remarks by Mr Edouard Balladur, the French prime minister, that France is in no hurry to return to the narrow fluctuation bands within the ERM suggest the French government is coming to terms with the new monetary order.
"It was a revealing com-

ment," says Mr Christopher Potts, economist at Banque Indosuez in Paris. It shows they are following a hybrid policy which is neither a free float nor a system in which interest rates are determined solely by the exchange rate."

Under the former system, the French franc could fluctuate by a maximum of 2.25 per cent from its central ERM parity. The currency crisis, however, broke the franc's close link with the D-Mark and forced the fluctuation band to be widened

The reform undermined the

France expects the headquarters of the future European central bank to be located in Germany but wants it to be somewhere other than in the "powerful" financial centre of Frankfurt, the foreign minister, Mr Alain Juppé, said, Reuter reports from Paris. Mr Juppe told the newspaper La Croix that France agreed that Germany would win the bank's headquarters after European Community leaders decided last year to allow Strasbourg to remain home to the European Parliament. "We would prefer that it be in a city less financially powerful than Frankfurt."

central plank of French monetary policy, a strong franc and the tight link with the D-Mark. It presented Mr Balladur and the French financial authorities with the question of how to manage monetary policy in the new European exchange rate environment.

Mr Balladur's comment points to some answers. "We must not return in all haste to fluctuations. Neither must we seek, or without seeking it, get to the point where the wide band is reached," the prime minister said. The implication is that the

French government is adopting a more pragmatic stance to exchange rate and interest rate policy. "Their boundaries are less rigid than before," said one French economist. "Interest rates have a slightly higher

priority than before in guiding policy." For the French government, this stance has several advantages. It gives them room for manoeuvre in cutting interest rates to help stimulate the

rency crisis. But the government's response to the new European monetary order does not represent a radical shift in economic

recession-hit economy. The

removal of tight exchange rate

targets also increases the risks

for currency specula-

tors - strongly attacked by Mr

Balladur for causing the cur-

The currency will remain an important constraint on reducing borrowing costs and the prime minister has consistently ruled out a strategy of rapidly reducing borrowing costs as the British did after

the ERM in September last year. "There are no miracle cures for our economic difficulties." said Mr Balladur on Wednesday, emphasising his continued commitment to antiinflationary policies.

is likely to be a continuation of the policy of gradual reduc-

Overnight rates have been trimmed five times since the ERM reforms, bringing money market rates down to near precrisis levels. The 5- to 10-day rate and the intervention rate. money market rates, remain unchanged at 10 per cent and 6.75 per cent respectively, but economists believe they, too, will be edged gradually downwards.

The pace of cuts will continue to be influenced by events in Germany. The refusal by the Bundesbank to cut interest rates yesterday may affect the timing of

reduced borrowing costs. However, it should not change fundamentally the process, and should drive home the arguments for a more independent approach to French

IMF criticism jolts Stockholm

By Hugh Carnegy In Stockholm

SWEDEN'S centre-right government was joited yesterday by a leaked report from the International Monetary Fund which said its programme to cut the country's huge budget deficit was inadequate.

Publication of the report in a

Swedish krona and a rise in interest rates.

The IMF report said it would prefer to see savings of SKr20bn (£1.65bn) 3 year, double the government's current plan to trim SKr10bn in spending The budget deficit stands at

16.5 per cent of gross national product, a level which the report said "dwarfs those in daily newspaper provoked a other industrial countries and slide in the value of the provokes doubts about

Sweden's commitment to low inflation"

The fund said its proposals would bring the budget deficit down to zero in 1998, compared with the government's target of 4.3 per cent.

Mrs Anne Wibble, the finance minister, defended her policies, saying they provided "the best balance" for Sweden. given the need for a return to growth next year after a three-year period of recession.

She pointed out that most domestic political pressure was for fewer cuts, not more. Nevertheless, markets reacted badly to the report of the IMF

The krona slipped sharply despite intervention by the central bank.

On the foreign exchange market the D-Mark rose to Skr4.88, up eight ore since late

Global warming pact progresses

By Frances Williams in Geneva

THE INTERNATIONAL global warming treaty signed at the United Nations "Earth Summit" in June last year looks set to come into force ahead of expectations early in 1994, according to UN officials. However, two weeks of negotiations in

Geneva on the detailed implementation of the pact are due to end today without agreement on key issues such as finance and "joint implementation" - under which rich countries would gain credit for financing projects in poor states. The framework treaty, signed by more

than 160 nations, commits governments to of industrialised countries, the bigg tary general has been unable | curbing emissions of greenhouse gases | ducers of warming gases, to curb their | qualify.

which warm the earth's atmosphere. It has now been ratified by 31 nations, against 50 required for entry into force, and another 34 have said they will ratify this year.

The pact will not, however, be fully operational until final decisions on its functioning are taken by a conference of member states tentatively scheduled for early 1995. The most contentious issue for the 148

nation Geneva negotiations, intended to pave the way for the 1995 conference, has been the criteria for "joint implementation". The idea is disliked by environmentalists who fear it will weaken the resolve

own emissions. Supporters argue that it makes sense to start reducing global emissions where this can be done most cheaply and easily, which will often be in developing countries with low environmental

On financing, developing countries are unhappy about the potentially dominant role of the Global Environment Facility run by the World Bank and the UN, which they see as an extension of western and World Bank interests. Negotiators in Geneva, who will meet

again next February, have also not yet agreed which countries will be eligible for financial help and which pr

NEWS IN BRIEF

Efim's creditors may be repaid loans soon

CREDITORS to Italy's former Efim state holding company, put into voluntary liquidation in July 1992, could shortly be repaid half their loans, writes Haig Simonian in Milan.

Mr Alberto Predieri, the special administrator appointed to run

Efim, said he had been authorised by the European Commission to begin repaying loans to the group's wholly-owned subsidiaries.

Mr Predieri, who plans to meet Bank of Italy and treasury
officials next Tuesday, said he hoped the repayments could begin
next month. The remaining half of the loans is expected to be repaid by the end of the year.

Creditors have been waiting almost 14 months for reimburse-ment of their loans to Efim, which had total borrowings of about

Danish shipyard subsidies

Danish shipyards will receive a DKr600m (£37.7m) subsidy package following an agreement yesterday between the industry ministry and key opposition parliamentary parties, AP-DJ reports

Unemployment in the Danish ship building sector has risen significantly in the last six months because of declining orders. The subsidy put forward by the government will take the form of loans at favourable interest rates for shipping lines ordering

Yeltsin gesture on Prague '68

Mr Boris Yeltsin, the Russian president, yesterday signed separate friendship and co-operation treaties with the Czech and Slovak republics, writes Patrick Blum in Prague.

The treaties aim to set bilateral relations on a new footing and overcome memories of the Soviet-led invasion of the former EC inflation climbs two points

The annual rate of inflation in the European Community rose two points to 3.5 per cent in July from June's 3.3 per cent, the first rise in more than a year, Reuter reports from Brussels.

The Community's statistical office, Eurostat, said that the annual rate of inflation in the 12-nation bloc had fallen steadily since May 1992. In July last year it was already down to 3.9 per cent. The statistics office said last month's rise was primarily due to marked increases in inflation in Belgium, the Netherlands and Portugal.

Turkish central bank head

Turkey has appointed Mr Bulent Gultekin, a former advisor, to head the central bank, filling the first of a number of key positions made vacant since Mrs Tansu Ciller became prime minister in June, writes John Murray Brown in Istanbul.

Russians offer three economic options to CIS

By Leyla Boulton in Moscow

RUSSIA is offering members of the Commonwealth of Independent States a choice of three options for economic relationships and co-operation. Mr Herman Kuznetsov, dep-

uty head of the government committee which deals with commonwealth republics, said the first option was all-year treaty providing for the grad-ual construction of economic A fast-track agreement for

intensive economic integration" was a second option, now being envisaged only by the three Slavic neighbours, Russia, Ukraine and Belarus. This would be in the form of a common trading area without internal customs barriers and with a common currency. It would also give Ukraine a "way out" of its indebtedness

to Russia by providing for joint ownership of valuable Ukrainian refineries and other industrial installations starved of Russian raw materials. A third option, which any commonwealth member could combine with either of the eco-

nomic union treaties, was for a currency union. This would create a new type of rouble zone which he compared to the zone franc operated by the Banque de France in some African countries. Mr Kuznetsov explained that this menu of options, although complicated, was designed to help the CIS out of a rut

whereby for the past 18 months

all its members "had been equal but nothing had been

Russia reduced gas supplies to Ukraine by more than a half yesterday over Kiev's failure to pay for previous deliveries. Reuter reports from Kiev.

Mr Tadei Mykhailevych, chief dispatcher at Ukraine's Ukrgazprom state utility, acknowledged that Ukraine had debts of more than Rbs600bn (£403m) for gas deliveries but said it was up to the two governments to deal

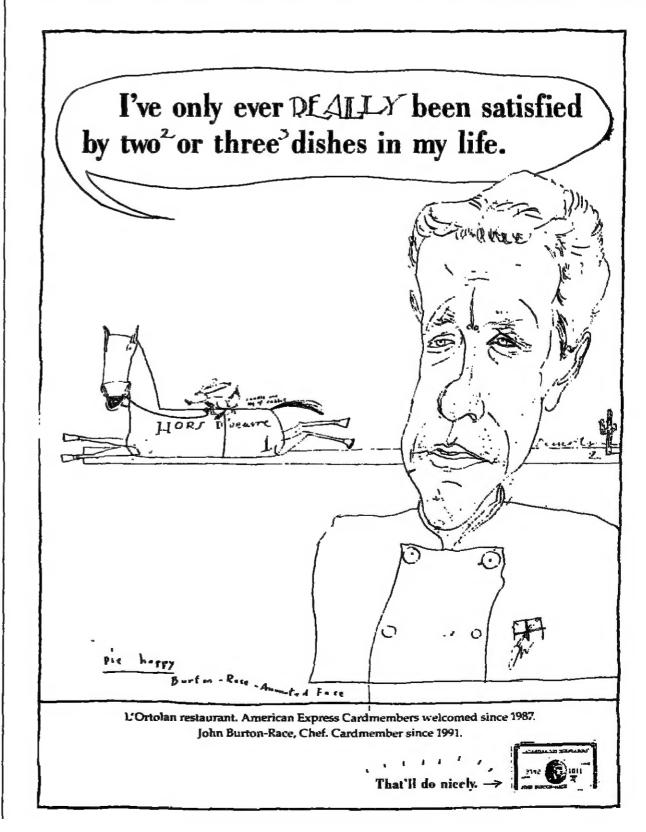
union plan, initialled so far by Russia, Kazakhstan, and Uzbekistan, countries would use the rouble as their national currency after adjusting their credit, budget, and monetary policies in line with Russia's.

War-ravaged Tajikistan had expressed a desire to join, while Belarus was still making up its mind. With this option, he said that the Russian government was trying to "make something useful" out of the central bank's invalidation of pre-1993 banknotes, with which had tried to wean the republics off the rouble in one

Mr Kuznetsov acknowledged total currency union was the most difficult option to implement. It would take several months to establish but republics might view it as an assault

on sovereignty.

The Russian cabinet has rejected the resignation of Mr Sergei Glaziev, the foreign economic relations minister. Mr Glaziev had offered to resign over pressures from officials whose corrupt interests he said



Uncertainty | US in dilemma on dealings with China on return of Shonekan

Africa Editor

THE triumph of hope over experience may be the kindest assessment of Chief Ernest Shonekan's decision to accept the job as leader of Nigeria's interim government. The 57year-old former industrialist and lawyer took on much the same duties when sworn in last January as chairman of the country's transitional administration, promising to revive Nigeria's lapsed struc-

tural adjustment programme. Eight months later the economy is deep in crisis and few if any of the promises were

Mr Shonekan, one of the country's most respected busi-nessmen, had been seconded from the chairmanship of United Africa Company Nigeria, the Unilever subsidiary, and drew heavily on the advice of the business community. The result was the 1993 budget - a ringing reaffirma-tion of the necessity of reform and the overriding need for prudent management.

We must make some hard choices now to preserve the gains of the structural adjustment programme and restore some good measure of stability to the economy," said Mr Shonekan. But his administration failed to tackle fundamental issues notably managing the exchange rate, reducing the budget deficit and cutting subsidies on domestic petrol.

Hopes that Nigeria would sch an agreement with the IMF by August, which would allow rescheduling of the country's \$34bn external debt

apparent that he lacked the authority to implement tough decisions. Senior officials complained that power continued to lie in the hands of President Ibrahim Babangida and the

Today, as in January, the challenge facing the new administration remains that of budgetary reform, and reduc-ing a fiscal deficit averaging 7.7 per cent of GDP since the structural adjustment pro-gramme was launched seven years ago.

The new administration will also have to tackle what is perhaps the most sensitive issue of all: monitoring the export earnings of nearly 2m barrels of oil a day. As much as 200,000 barrels a day are not properly accounted for. Some of the proceeds are diverted into special accounts for military expendi-ture, the Ajaokuta steel project or spending on the yet to be completed federal capital of Abuja, and an undisclosed amount used as patronage.

Will the soldiers back the chief this time round? Mr Shonekan can point to one encouraging indicator: the decision earlier this week to raise domestic fuel prices ten-fold. But the government will be expected to put the budget blueprint into practice before agreement with the IMF can be reached. Such a track record would require at least six months before credibility is established. By then Nigeria, would be preparing for the re-run of presidential elections. At a time when continuity in policymaking is essential, Nigeria seems set for a further

period of uncertainty.

Americans cannot forget Tiananmen Square." Just how difficult it is proving for the two sides to achieve harmony in their relationship was amply demonstrated again this week when the US, in protest at Chinese sales of missile technology to Pakistan, imposed sanctions on the export of high-technology items to China, and Beijing

responded angrily.

China more succinctly.

Scarcely a week passes, it seems, without some further irritation to relations, involving disputes over a whole range of issues, from human rights to the transfer of mili-

tary technology.
In Beijing, US officials say that given domestic pressures on any US administration by vocal and well-organised interest groups, it is inevitable that Sino-US relations will have their ups and downs. The question is whether differences can be contained, or whether the two sides are coming closer to serious rupture.

"The problem is", said one official, "that there is no over-arching concept of what the relationship should be. When Nixon signed the Shanghai Communiqué in 1972, no one had any idea that within a cou-ple of decades it would have developed as it has. For example, in the 1972 document there was hardly a reference to busi-

"Another problem," he said,



China's Premier Li Peng (centre), who last appeared in public in late June, re-emerged yesterday to greet his Thai counterpart, Mr Chuan Leekpai (left). Mr Li, who has been suffering from a heart condition, told reporters on Tiananmen Square after a ceremonial welcome for Mr Chuan that his health was "very good", but he declined to elaborate on when he would resume his duties full-time.

have convinced themselves the relationship is more important to us than it really is." Whatever the truth, there is no doubt that there is often a disconnection between US policy towards China and expectations in Beijing. This tends to heighten disappointment among Chinese officials when things go wrong, and risks pro-

voking an overreaction. So far, and certainly since relations began picking up again in 1991, after the chill caused by the Tiananmen massacre of 1989, periodic rows have been contained, and business has proceeded more or

US officials appear confident it would take a fairly extreme "is that Chinese tend to enter-tain higher expectations of the development to push the Chi-nese into some form of retalia-

tion that might in turn invite further American measures, say on the trade front. They point out that China's trade surplus with the US reached \$18.2bn (£12.2bn) last year, is second only to that of Japan, and is growing faster.

In evidence to the US Congress this month, the Central Intelligence Agency predicted Chinese exports to the US this year would exceed imports by \$24bn, 30 per cent up on 1992. With Congress increasingly restless over the US trade deficit, China, along with Japan, can expect a rocky road ahead. It would be surprising if Chinese patience were not wearing

Starting last year with the row over President Georga Bush's decision to allow the

irritations have included the long argument over renewal of the Most Favoured Nation trading status, frequent exchanges over human rights, and recently a row over US interference with the par of a Chinese ship to the Middle East that Washington claimed was carrying material to be used for making chemical

Most galling for China, which has set its heart on securing the 2000 Olympics, may well have been last month's congressional resolution oppos-ing Beijing's candidacy. Indications that the Clinton administration sympathises with the congressional majority have sharpened Chinese annoyance. Mr He Zhenliang, head of China's Olympic Committee, said recently he was "totally

However, the Korean penin-

against" Congress's action "because it's an infringement of the Olympic principles, and No country is perfect," he added, "even the US."

Adding to present uncertainties about how China might react to persistent American essure on a number of fronts is the fact that the Chinese are undergoing a leadership transition, with various groups and individuals jockeying for power in preparation for the passing from the scene of the ageing paramount leader, Mr Deng Xiaoping.

Harder-line elements have made little secret of their unhappiness over what they regard as unwarranted American interference in Chinese affairs. They harbour suspi-cions that the US is motivated Mr Abdul Sattar, Pakistan's foreign minister, yesterday accused the United States of acting on wrong information and groundless suspicion in applying new sanctions against Pakistan, writes Farhan Bokhari from

He said Pakistan regretted the move, which came in the wake of allegations that Pakistan and China had breached the international Missile Technology Control Regime (MTCR). Mr Sattar denied that Pakistan had violated the MTCR, although it had not yet formally ratifled the regime. China had provided a small number of short-range tactical missiles to Pakistan several years ago, he said. It had done so after Pakistan was attacked by Soviet-made Scud missiles.

from Afghanistan. Officials said sanctions were milikely to damage Pakistan's economy, since US aid had already been cut off because of allegations over Islamabad's nuclear programme.

partly by a wish to weaken, or at least restrain, China's growing power and influence in Asia and beyond. They are also outraged by what they see as high-handed US opposition to Chinese arms sales, arguing that China's weapons exports amount to only a fraction of

those of the US. Mr Lord would not necessar ily have endeared himself to the present generation of Chinese leaders when he told the Senate that the US should "conduct a nuanced policy towards Beliing, until a more humane system emerges".

"Shunning China is not an alternative," he added. "We need both to condemn repression and preserve links with progressive forces which are the foundation of our longer-

N Korea in grip of 'collapsists' and 'gradualists'

ORTH KOREA is on the brink of collapse. The S1-year-old president Kim Il-sung, who has ruled the country since 1945, is dying. His son and heir, Mr Kim Jong il, has been severely

injured in a car crash. There is unrest in the arms. A group of high-ranking military officers have been executed for plotting a coup. Meanwhile, food riots are sweeping the country as a hungry populace faces the threat of starvation.

That is what is happening in North Korea according to the rumours and reports that have circulated in Seoul this sum-

But many of these same stories have been heard for the past decade and the latest spate of reports are either

unconfirmed or have proved to For example President Kim John Burton on some new (and some old) delights for Pyongyang watchers

and his son were certainly not bedridden when they appeared dence of stability in the north." at a ceremony commemorating the 40th anniversary of the Sources of information on country's media, diplomats based in the capital Pyongvang, the occasional defector. and foreign travellers, mainly ethnic Koreans who are

allowed to visit relatives. "North Korea is a great black hole in terms of information and people like to fill it with their own wishful thoughts," said Mr Michael Breen, a consultant on North Korea for Seoul-based Merit

"Anti-communists look for signs of imminent collapse, while South Korean officials, who prefer a gradual approach

The difference in interpretation also extends to North divided into two camps: "col-North Korea are scanty: the lapsists" who foresee the swift downfall of North Korea, and

> We know the economic situation in North Korea is serious," said Mr Tae Hwan Ok, research director for the Research Institute for National Unification, "But there is little reliable information to know what is really happening

pragmatic economic reforms

are introduced soon.

There are few doubts that the North Korean economy is deteriorating after more than a decade of stagnant growth, A

drastic cut in economic aid, including vital oil supplies, from China and Russia, has caused an energy shortage and Korean War armistice recently. Korea watchers, who are greatly reduced industrial pro-

South Korea's central bank country since May. estimates that the North Kor-"gradualists" who believe that ean economy contracted by 7.6 the country can survive if per cent in 1992 for a third consecutive year of decline, after a 3.7 per cent drop in 1990 and a 5.2 per cent drop in 1991. Adding to the economic

problems is a shortfall in grain production, the result of bad weather and a lack of fertilisers and pesticides as the energy-strapped petrochemical industry fails to meet demand.

There have been persistent rumours of food riots in the country since 1991, although none has been confirmed by reliable sources, according to South Korean officials. There has been speculation that spreading food riots may be the reason why North Korea has tightened restrictions on

foreigners travelling to the

Pyongyang, for example, reduced sallings this summer of a passenger ship that carries Korean-Japanese visitors between Niigata, Japan and Chongiin, North Korea, It said yesterday that regular sailings would be resumed next week. However, said on analyst,

food shortages would more likely occur in early spring as stocks become depleted after the main fall harvest rather than during the summer when other food products are avail-

Instead, the travel restric-

poor grain harvest this autumn because of a cool summer, resulting in a dwindling food Korea's dispute with the intersupply for North Korea by national community over the A sign of trouble at the top inspection of its nuclear facili-

ties, he said. "The North was offered this week by a Koreans don't want foreigners North Korean defector, a 30year-old army lieutenant, who claimed that a group of mili-tary officers were executed last prying around at such a sensi-Most North Korea watchers believe, however, that there have been isolated raids on December for planning a mili-

local grain depots and food There have been similar supply trucks by hungry citirumours of coup attempts in 1988, 1991 and 1992, although "Our assessment is that pubthere has been no evidence to support the claims.
"He's not lying, but he lic loyalty to Kim Il-sung remains firm despite the economic problems," said Mr Ok. We see no indication of a rev-

appears to repeating rumours he heard in the barracks olution brewing from the botroom," said Mr Breen, who tom up." If a food riot took on said such stories are one of the anti-government overtones, it would be quickly crushed, he attractions of analysing North

The beauty of North Korea watching is that it allows your imagination to roam."

Jericho plan could break Mideast deadlock

By Julian Ozsone in Jerusalem and Mark Nicholson in Cairo

A PALESTINIAN proposal for an immediate Israeli withdrawal from the occupied Gaza. Strip and West Bank town of Jericho could help break the deadlock in Middle East peace talks, a senior PLO official

said yesterday. Mr Nabil Shaath, PLO peace talks co-ordinator, said the idea - dubbed the "Gaza-Jeri-cho First" - could bypass arguments about who should control Israeli-occupied Arab **East Jerusalem which have** brought the negotiations to a standstill.

The proposal is emerging as one of the most controversial gambits made by Mr Yassir Arafat, PLO chairman, and is likely to drive the next round of Arab-Israeli negotiations

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which resume in Washington It envisages an immediate Palestinian assumption of full authority and independence in Gaza Jericho, leaving the rest of the West Bank under

interim self-rule. The idea has excited many Israelis and Palestinians who believe it could help make progress in the stalled peace

process after 22 months of fruitiess negotiations. But the proposal has also spurred a revolt within the Palestinian leadership over what, if any, concessions must be made to Israel to reach a

peace agreement.
Palestinians who support the plan say it would produc some permanent independent entity immediately, guarantee the PLO a governing role and attract desperately-needed for-eign financial aid.

Israel has indicated its will-ingness to discuss withdrawal from the Gaza Strip, the violent and economically-deci-mated home to 800,000 impov-erished Palestinians.

But Jerusalem has so far remained silent on Mr Arafat's demand for the inclusion of

demand for the inclusion of an enclave around Jericho in the

israel, which would like to be rid of Gaza, has also made reservations about a full trans-fer of power and the establish-ment of what would be effec-tively a Palestinian mini-state. It is clear that in restate. It is clear that in return for accepting the idea, even in a modified form, Israel would

expect big concessions from Palestinian negotiators on their demand for territorial sovereignty during an interim period of self-rule over Arab East Jerusalem and the Israeli settlements in the West Bank.

tions may be related to North sula is expected to suffer a Zimbabwe group aims | Qureshi seeks to end deepening malaise

to buy blocked funds

A ZIMBABWE tourism company is trying to buy blocked funds from former Zimbabwe residents or foreign companies to finance its equity investment in the Victoria Falls Safari Lodge and timeshare scheme.

The company, Glynn's Holdings, has been advertising internationally for sellers of blocked funds who wish to remit their cash immediately. rather than having to wait until the funds, which are held in 4 per cent 12-year or 20-year

"divestment bonds", reach

Glynn's is reported to be seeking sellers of \$10m worth of the bonds, of which there is an estimated \$60m which has been blocked in Zimbabwe by exchange controls over the

With the Zimbabwe dollar having devalued from 66 US cents when exchange controls were tightened in 1984 to 15 cents today, many holders have been only too happy to sell out.

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N his 2½-month stint as Pakistan's caretaker prime minister. Mr Moeen Qureshi is seeking to reverse years of profligate mismanagement which have left the country's

finance in total disorder. It is not clear to what extent the ambitious programme of economic measures that he announced last week will endure when a new government, subject to familiar political constraints, takes office after elections due on October 6. But Mr Qureshi, who has no political affiliations after a 33year career in Washington with the World Bank and International Monetary Fund, will have left an important legacy if he succeeds in beginning a recovery from what he sees as a deepening malaise in Pakistani life.

His initiative goes much further than dealing with a bud-get crisis. According to Mr Shahid Javed Burki, a senior World Bank official who advised Mr Qureshi on the measures, the prime minister chose to address long-standing problems of which the most important was "a steep deterioration in the social order."

Mr Burki says there has been a collapse of law and order and of the supply of basic services, such as safe drinking water, sanitation and electricity, to the community - with the rich using their wealth to circumvent such problems. He says disorder is the product of a political system in which governments have "failed to inculcate a sense of honesty and integrity among officials."

Mr Qureshi took over, following the resignations of prime minister Nawaz Sharif and President Ghulam Ishaq Khan in July to find the finances in

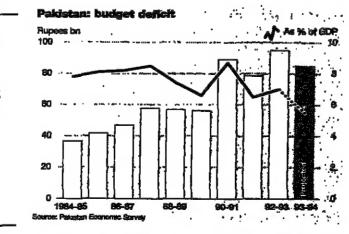
Farhan Bokhari and Alexander Nicoll consider the implications

of the Pakistani premier's ambitious new programme of economic and social measures

a parlous state. Official foreign exchange reserves were dangerously low after months of political turmoil. Inflation was rising rapidly as the government printed money to finance a spiralling budget deficit. Among emergency measures, Mr Qureshi suspended costly

programmes such as a scheme under which members of narliament were given government funds for development projects in their constituencies. A "yellow taxi" scheme, a pet project of Mr Sharif, had seen Rs15bn (£331m) lent to importers of 51,000 foreign cars which, because they were to be used as taxis, were subject to reduced import duties. Mr Qureshi suspended it as well as a planned "yellow tractor" scheme. Construction of motor-ways on which work has not started is expected to be put off

Mr Qureshi devalued the rupee by 9 per cent in order to discourage imports and boost exports after a \$3.26bn (£2.18bn) trade deficit in the financial year which ended



June 30. Interest rates were increased by two percentage points, and a quick-disbursing loan was sought from the IMF. Official reserves have risen to \$400m or about 21/4 weeks imports from the lowest level of around \$250m last month. and the haemorrhage in the government's finances has been halted.

qually important, however, are the longer-term reforms which Mr Qureshi has begun. Taxes have been imposed on both the income and wealth of Pakistan's feudal landowners, previously exempt because of their political influence. Though this means defying powerful vested interests, the

government may believe that the new taxes would be politically difficult to undo. Secondly, Mr Qureshi is seeking to tighten control over the banking system and to dis-

tance banks from political

influence by granting auton-

omy to the State Bank of

"In recent years we have seen virtually the rape of the commercial banks owned by the state," says Mr Burki. Governments, he says, had no compunction about ordering banks to make large loans for political purposes. Thirdly, Mr Qureshi has outlined plans to step up the pri-

vatisation programme, with most of the state's substantial assets up for sale, and to open state monopolies in utilities to private competition. Proceeds are to be used to retire government debt, servicing of which currently eats up some 40 per cent of government revenue. Other steps to cut the budget deficit to a targeted 5.5 per

cent of gross domestic product include: removal of subsidies on fertilisers; a campaign to force payment of Rs16bn of unpaid bills to the telephone and electricity companies defaulters are warned that their names will be published in newspapers; and a 10 per cent rise in petroleum product

More broadly still, Mr Qure-

shi has taken steps designed to restore public confidence in official institutions. These include plans for tribunals to which citizens could appeal against malpractice by customs or income tax officials; a commission to speed up slow judicial processes which, according to Mr Burki, are causing a breakdown in the legal framework which surrounds business transactions; and tightening of rules on the distribution of public assets such as land to government

Will Mr Qureshi's pro-gramme last? The measures were discussed with leaders of the main political parties, and officials say they did not dis-agree privately although they are expected to criticise them during the campaign.

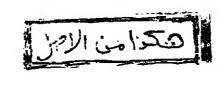
The government is banking on three hopes: that the need

for a \$1bn medium-term IMF

loan will force the new govern-ment to adhere to the plans, which have the IMF's backing secondly that the new govern-ment will allow Mr Qureshi to take the heat for politically unpalatable measures but will not rescind them; and thirdly that support for Mr Qureshi by army generals - who worry that the budget situation spending - will help to give the programme longevity. "These reforms have a good

chance of survival because they are backed by powerful interests domestically and in the outside world, but there are new risks now of public unrest if life becomes too difficult in the coming months," says one leading banker referring especially to the inflationary impact of some of

The same of the control of the same of the



Telebrás head | Economic signals flash red and green to testify in US broker row

By Christina Lamb in Rio de Janeiro and Bill Hinchberger

THE president of Telebrás, Brazil's state telecommunications company, has been called to testify before the country's Congress, to explain allega-tions that his former finance director attempted to extort \$15m (£10.1m) from Merrill

Lynch, the US securities house. The allegations began circulating in the Brazilian financial markets in July, when Merrill Lynch was not appointed lead manager for the company's forthcoming \$500m launch of American Depositary Receipts (ADRs) in New York

Merrill Lynch had handled the company's Eurobond offer-ings and was expected to manage the ADR issue.

The charges become public after the resignation of Mr Mauro Brito as finance director of Telebrás last week. Press reports in Brazil alleged that he was forced to quit because he had demanded money from Merrill Lynch for the firm to keep its position managing the issue. Mr Brito denies the alle-

Telebras has made countercharges, claiming irregularities in the launch of Eurobonds carried out by Merrill Lynch in 1991 and 1992, and claiming that the brokerage had received commission four times higher than market

According to the newspaper O Globo, Mr Iram Siqueira Lima, former finance director of Telebras, has written to Mr Adyr da Silva, its current president, admitting that Merrill Lynch had received a commission above market rates for the Eurobonds issue. However, he pointed out that, at the time, Telebrás did not have a good image in the market and that Merrill Lynch had guaranteed to place all the bonds.

Merrill Lynch issued an official statement on Wednesday night denying the allegations: [The company] strongly rejects any suggestion of irreg-ularity in its dealings with Telebras," it said.

Traders are watching events carefully, as Telebrás shares represent 60 per cent of the São Paulo stock market index and are a favourite of foreigner buyers, often accounting for more than half of daily trading. Congressman Paulo Heslander, who demanded that Congress investigate, said: "These charges are damaging the image of Brazil overseas." This is expected to delay the launch of the ADRs, which was

expected before the end of this

year. Another US securities

house, Smith Barney Shearson,

has warned clients that the launch might now take place in the middle of next year.

The signals from Wall Street could hardly be more encouraging. A strong stockmarket rally has swept the Dow Jones industrial average through the 3,600 barrier and into uncharted territory. The yield on the henchmark long bond. on the benchmark long bond, meanwhile, has dropped 3.600 sharply to only just above 6 per cent, far lower than most analysts would have thought Yet the real economy remains disturbingly sluggish. Wednesday's report of a 3.8 per cent decline in new orders for durable goods between June and July was typical of recent economic indicators, which have invariably been weaker

than analysts expected. The biggest shock was inflicted by last week's trade figures for June, which showed a deficit of \$12.1bn. This was about 40 per cent larger than expected and constituted the biggest shortfall since 1987, when the Reagan economic boom was still under way.

In the light of these figures, most forecasters now expect economic growth in the second quarter to be revised down from an annual rate of 1.6 per cent to 1 per cent, or possibly even lower. The expected recovery of growth after the disappointing first quarter. when gross domestic product

THE US economy is disconcertingly Janus. Michael Prowse in Washington examines the conflicting figures in an attempt to see what they add up to



edged forward at an annual rate of 0.7 per cent, thus failed to materialise. The robust 4 per cent growth of the last six months of the Bush administration has become a distant

There are conflicting views about the immediate economic outlook. "The economy is going to continue to disappoint," says Mr Allen Sinai, a managing director at Lehman Brothers, the securities group.
"It is bard to achieve growth when defence is being cut drastically, when state and federal

government are holding down

spending, when companies are

of the world is extremely weak." Mr Sinai predicts a connomic recovery of the past two years, with growth likely to average about 2 per cent, far below the rate normal in a US But other forecasters are far

down-sizing, and when the rest

more optimistic. Mr Paul Mastroddi, senior economist at JP Morgan, the New York bank, continues to predict growth at an annual rate of nearly 4 per cent in the second half of this year. He does not expect the tax increases mandated in President Bill Clinton's budget

While signals from Wall Street could hardly be more encouraging, the real economy is very sluggish

to have much effect on future growth on the grounds that the main measures have been known since late last year. The high-income individuals most affected by the budget have already had plenty of time to

He regards the economy's recent performance as much more encouraging than the headline figures might suggest. At 6.8 per cent, the jobless rate is nearly a percentage point lower than at this time last

Real gross domestic product is 21/2 per cent higher. Business ing. Corporate profits continue register double-digit increases. Inventories are very lean, suggesting that companies will have to step up production to meet higher consumer demand in the current

And although a higher trade deficit arithmetically subtracts from growth, the surge in imports last month provides further confirmation of relatively strong domestic demand. The rising external deficit is a sign that the US is growing faster than other countries, not evidence of weak competitiveness in traded goods sectors. Looking forward, the domes-

tic economic fundamentals are mostly highly encouraging. The inflation scare that worried the Federal Reserve eartier this year seems over: in the past three months consumer prices have risen at an annual rate of less than 1 per cent. Although few analysts expect prices to remain this subdued, the underlying rate of inflation has probably stabilised at 3 per cent, or conceiv-

ably a little less. The decline in inflation, coupled with the passage of President Clinton's mildly deflationsharp declines in interest rates of all maturities. As Mr Wil-liam Griggs and Mr Leonard Santow, Wall Street bond market commentators, stressed in a recent circular, this is doing tors strained during the late

Banks have increased their capital ratios and should feel more comfortable about lending. Companies and house-holds have refinanced debt on much better terms and should Companies and housebe more willing to spend. The federal government is able to finance its considerable debt more cheaply.

ead to arithmetically higher share prices because they raise the present value of future corporate earnings. Higher share prices in turn raise the wealth - and hence spending power - of both the personal and corporate sector. There is no question that

recent economic figures have been disappointing. But, since exports are still only about 12 per cent of gross domestic product, the US remains rela-tively well insulated from adverse international economic

Given the strong impetus from lower interest rates, it would be surprising if economic growth does not accelerate later this year.

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LOCALISING THE MULTINATIONAL

Technology for the Times







Mr. Akira Shimizu Managing Director, Casio Computer Co., Ltd.

The next generation of electronic next generation 'ZOOMER' com-

Founded 47 years ago by the late Tadao Kashio to make simple household utensils, Casio Computer is today a world leader in electronics and personal appliances. The company's founding principles of creativity and contribution are now enabling Casio to endure the present recession. Company President Kazuo Kashio explains how.

By Russell McCullock

Clinton calls for floods rethink

President Clinton enjoys a boliday ice-cream - mango flavour

By George Graham in Washington

THE Clinton administration is urging army engineers and other government agencies to look at different ways of controlling floods as they examine whether to rebuild dams and earthwork levees after this year's mundation of the Mississippi and Missouri river basins.

In a memorandum greeted enthusiastically by environmentalist groups, the White House asked agencies to consider "non-structural alternatives" such as buying up farmland in the river plain to be used as catchment areas for future floods.

The White House paper says, however, that the administration does not intend to reject local demands that specific levees be rebuilt

Environmentalist groups. such as American Rivers, have claimed that levees along the Mississippi forced the river higher than it would otherwise have been by denying it natural outlets to swamps and wetlands in the river bottom, and also encouraged people to build

Nevertheless, most of the flood-walls and levees built and managed by the federal government, under the auspices of the Army Corps of Engineers. are likely to be rebuilt.

in flood-prope areas.

cally protect large urban or industrial areas, are much higher and stronger than private earthworks. Only an estimated 40 per cent of the roughly 500 federal levees in the Mississippi and Missouri basins failed or were topped by this year's record floods, compared with around 85 per cent

of private levees. The Corps has already put out tenders for some immediate repair projects, and aims to get as much construction work

done as possible before winter. However, federal officials will also insist that many homeowners move to higher ground, leaving their land as a buffer zone for future floods.

US dollar and the major European currencies. Of course, during the last period of currency appreciation be-Federal levees, which typitween 1986 and 1988, the yen rose in value against the dollar by as much as 40 per cent in a single year while the recent growth in the yen's value has been far more gradual.

recession. Is this correct?

However, I am heartened by the fact that the US economy is showing signs of improvement and I am confident that the fiscal stimulation packages recently announced by the Japanese Government will pull the domestic economy out of

Russia alters stand on Poland joining Nato

By Christopher Bobinski in arsaw and George Graham

POLAND'S entry into the North Atlantic Treaty Organisation may have come a step closer after the apparent removal of Russian objections. In a joint statement issued in Warsaw this week, Russia's President Boris Yeltsin and Poland's President Lech Walesa declared that Poland's wish to join Nato did "not run

counter to the interests of any state, including Russia". The possible expansion of Nato's membership to the east entry.

is a core component in the debate over the alliance's future. But western governments have usually argued that Russian sensitivity to the inclusion of its former allies in Nato was the principal obstacle

to such an expansion. Many academics and some politicians argue that bringing countries such as Poland, Hungary and the Czech Republic into Nato could stabilise central Europe and help deal with the regional and ethnic conflicts on Europe's periphery. A recent poll showed 57 per cent of Poles favoured Nato

Lifting Local Content

Kashio: We can reduce the impact of currency fluctuations on our production costs by increasing local content ratios in those items we manufacture offshore. For example, we established Casio (Malaysia) Sdn. Bhd. in October 1990 and the Selangor plant, which commenced operations in June

McCulloch: Casio appears to 1992, is now one of our largest male business executives. However, be performing well despite the offshore production bases.

McCulloch: How does Casio Kashio: It is true that during our last business year we managed go about developing new products? an increase in sales to ¥431.6 bil-Kashio: To create demand, each time we develop new products of 5 and 15 and also for young lion although our ordinary income of ¥12.2 billion was some 45 per we adopt a different approach. Already, the era in which product cent below target. This was due largely to exchange rate fluctudevelopment relies on technological ations between the yen and the

Let me give you an example of using such an approach in the watch business. Until now, wristwatches have been used to tell the time, but we think watches should not just be limited to this: they are things you can wear on your wrist The difference today, however, is to get all sorts of other information, that last time manufacturers pricing not just time. This is what we call the successful application of contheir items low could generate sales cept development. At the Basel whereas now the currency is appreciating in the middle of a reces-Watch Fair in Switzerland in April sion when consumers are extremely this year we unveiled our new digital compass watch-the first of its

type in the world-which we believe will be particularly popular given the new interest in leisure both in Japan and overseas. application of concept development recession. For our full business year Casio is expecting a 4 per cent increase in sales and a 18 per cent increase in ordinary income.

McCulloch: How will these results be achieved?

when market research suggested that young children were familiar with the term 'Digital Diary' we decided to launch a range of prod-

ucts for children between the ages

McCulloch: Casio launched innovation has passed. Before we the Digital Diary Junior last year. plan the product, we develop the Is that correct?

> Children's Digital Diaries a Runaway Success Kashio: The Japanese version went on sale last year and it was successful beyond our expectations. We sold over 300,000 units and it proved our theory that products for

> > sumer spending.

McCulloch: One of the most important components in those diaries is the Liquid Crystal Display and Casio is becoming increasingly active in LCD technical develop-Another example of where the ment. What is Casio's strategy in

children offer the best protection

against downtums in general con-

this sector? Kashio: The beauty of the first has been very successful relates to our digital diaries for children. LCDs was that they were light and thin, but they were incapable of Casio has been a leader in the area of digital diaries for many years but reproducing images of the clarity our main target had previously been provided by cathode ray tubes.

devices such as small screen TVs, notebook computers and even automobile navigation aids will incor- tion can be input very easily. porate Thin Film Transistors (TFT) Products for managing personal LCDs. These combine the benefits data should be portable, contain of both the first LCDs and cathode useful functions and be reasonray tubes. As the LCD is such an impor-

tant component for so many of our to many communications funcproducts, it is natural that we are active in their technical development

April Opening of New TFT LCD Plant

We are one of the largest LCD

manufacturers in the world. Next year, we will open a new high grade (TFT) manufacturing plant in Kochi Prefecture, south-west Japan. Last April, we began producing film LCDs which can bend and have a curve-shaped display and are thin as well as very strong to permit the manufacture of products with an entirely different design. We have already begun mass-production of the device utilizing the C.O.G. (Chip On Glass) technology which sticks LSIs directly onto the base of LCD glass. We are planning to invest ¥25 billion over the next two years in the research and development of LCD devices.

be ¥50 billion, an increase of 40% over 1992. In 1996 our target is ¥100 billion.

McCulloch: In another area of electronics, Casio will soon begin marketing a new product it has developed jointly with Tandy Corporation of the US, Could you provide some details?

Kashio: We will launch our

tions, its low power consumption also permits longer use. Casio is a world leader in digital diaries for ordinary use and portable computers for business use and we are aiming to become a force in the increasingly competitive US personal computer market. To achieve this, we have formed a partnership with leading consumer electronics retailer, Tandy Corporation of the US which boasts

puter later this year. Using a pen,

data and other personal informa-

ably priced, and 'ZOOMER' meets

these criteria perfectly. In addition

McCulloch: Casio recently established Its European headquarters in London. What was the background to this?

an extensive sales network. Cur-

rently, we are also researching new

markets outside the US in which to

Casio Europe Office Opens in London

Kashio: Due to changes in the Sales for 1993 are targetted to company's structure we decided to establish a European headquarters to control all our European operations from one location, London. Until now each area had a separate sales responsibility, but now with the Single European Market, and also in order to clarify Casio's position within the market, we established a European headquarters to represent the company. We have appointed Akira Shimizu, a Casio board member who has considerable international experience, to be Chief Executive of Casio's European headquarters whose office will control the entire European sales network including our UK and German sales subsidiaries. Naturally, we want to ensure that local staff continue to provide the core of our organisation. However. Casio's representation in Europe is not just about sales. We want to deepen mutual understanding in every aspect to foster cooperation between the communities in which we operate.

CASIO

CASIO COMPUTER CO., LTD. 2-6-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-02, Japan Telephone: (61-3) 3347-4714 Facsimile: (81-3) 3347-4516

CASIO ELECTRONICS CO., LTD. Unit 6, 1000 North Circular Road, London, NW2 7JD Telephone: (081) 450-9131 Facsimile: (081) 452-6323

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and improve its distribution network; Toshiba, which has

had a television tube factory in

Thailand since 1990, is increas-

ing production by 70 per cent, and Oki Electric is doubling

the size of its Thailand factory

and adding image drums for printers to the products

Japanese plants assembling cars and electronic goods in

countries such as Thailand and

Indonesia are expected to be

joined by a growing number of

companies at present in Japan

will come abroad, especially to

the south-east Asian area," Mr

Kikuji Tateichi, head of the

Japan external trade organisa-

tion (Jetro) office in Bangkok,

Not every Japanese company

has the will or the means to

move its operations abroad,

"I'm sure that many, many

already produced there.

components suppliers.

8.000

7,000

6.000

5.000

4,000

3,000

2,000

of the yen is forcing

low-cost factories overseas,

which is delighting investment promotion agencies in the rest

Japanese companies have

been shifting production to

other Asian countries since the

yen began to strengthen in the mid-1980s. The depressed state

of Japan's domestic economy

has slowed the pace of new investment in south-east Asia

The new investment is likely

to come in two forms: multina-

tionals with existing foreign

operations will expand those facilities, and smaller and

in the past few years.

Japanese manufacturers

BAe-Taiwan talks focus on finance

By Daniel Green in Taipei

TALKS on rescuing the proposed regional jet joint venture between British Aerospace and Taiwan Aerospace Corporation (TAC) yesterday splintered into a series of meetings largely among Taiwanese officials over the details of a

Mr Denny Ko, TAC's president, was hopeful of agreement on the financial structure "within 24 hours"

A team led by Mr John Cahill. BAe's chairman, has been in talks with Taiwanese bankers. politicians and industrialists since Monday. The joint venture. Avro, is

central to his strategy to improve BAe's profitability. The RJ series of regional jets that it would build partly in Taiwan currently loses money. A contract establishing the

joint venture was signed last January, but Taiwanese banks lending money to Avro expressed fears last month that it was too risky.

The latest round of talks involved lawyers, the stateowned Chiao Tung Bank, which leads the consortium of lender banks, the Ministry of a semi-autonomous state Economic Affairs, Taiwan's industry ministry, and other government departments.

SKODAEXPORT, the Czech

trading and contracting com-

pany, has won a 8370m (£247m)

contract to build an oil pipe-

line linking the Indian cities of

Kundla in Gujarat and Bha-

tinda in Punjab, the company

Mr Jan Ricica, the Skodaex-

port general manager, said

that the company had won the

contract after a year of negoti-

The pipeline will be 1,440

kms long, and construction countries.

said in Prague yesterday.

Czechs secure Indian

oil pipeline order

Mr Ko also held meetings with Taiwan's defence minis try to discuss what part of the RJ programme could be most easily transferred to Taiwan. The defence ministry's Aero

Industry Development Centre (AIDC) would be involved in RJ assembly and the development of any new aircraft. Major General Shin You-

kwon, who heads the assembly of Taiwan's home-produced supersonic fighter aircraft. stressed the significance of winning RJ-X work. This project would bring

real benefit in learning design and manufacture (of civil aircraft)," he said.

Taiwan has a well-developed military aerospace industry. More than 200 companies sup-ply components to the AIDC. But the government halved its order for the supersonic fighter aircraft after it agreed last year to buy US and French fighters from General Dynamics and Dassault.

The government now wants to encourage the aerospace industry to diversify away from the defence sector

equipped with modern elec-

tronic systems, will be able to

transport several different

Mr Ricka said that the com-

pany hoped its success in win-

ning the contract against fierce

competition would help it

develop its international busi-

Skodaexport already has

large contracts in China, Tur-

types of oil products.

It plans to turn AIDC into company next July and privatise it towards the end of

Competition between the three leading contenders was fierce because there is tremendous suppressed demand for telephones in eastern Europe and the mobile communicawill include six stations and tions market has shrugged off two terminals. The pipeline,

> tenders to develop digital mobile networks in 10 Russian cities and to belp operate analogue networks in the Czech Republic and Slovakia.

key and Egypt, and is negotiating over new projects in these

Hungary awards telephone contracts

in Budapest

US WEST, the US regional telecommunications company, has strengthened its leading position in eastern Europe's thriving mobile communications business by winning one of two concessions awarded yesterday by Hungary to run digital cordless services.

Pannon GSM, a consortium of national operators from the Netherlands, Denmark, Sweden and Finland, was unexpectedly awarded the second of the fiercely contested

squeezed out a powerful coali-tion of Deutsche Bundespost Telekom, British Telecom and France Telecom, teamed together in the DBFH Consor-

bidding on concession fees with an offer of \$48m, followed

mission of \$45m, is understood to have raised its bid at the last minute to \$50m. Senior German, British and French diplomats intervened

vainly yesterday with the Hungarian prime minister's office on behalf of DBFH, which iater threatened "further

regionwide recession. US West has recently won

Bids are due in October for a

stake of more than 30 per cent in Hungarian Telecommunications Company. Deutsche Tele-kom, as well as being leader of the DBFH consortium, is a prime contender in the privatisation of the state-owned

Strong yen goes shopping abroad Michiyo Nakamoto and Victor Mallet on renewed exporting of Japanese production HE RECENT sharp rise to make plans to move still more of their production to

By Nicholas Denton

That slowdown is now likely to be reversed. Japanese and south-east Asian companies say, both because Japanese manufacturers are suffering from the strong yen and because Asia is the most prom-"Nordic" group The ising growth market for con-

sumer goods.
"The situation is similar to events in 1984," said Mr Tarrin Nimmanahaeminda, the Thai finance minister, predicting increased investment and DBFH originally topped the employment by Japanese com-

by the US West consortium on But the Nordic group, previ-ously third-placed with a sub-

medium-sized companies will probably join the exodus from their high-cost home base. In Thailand, for instance, Toyota is spending some \$570m to double its capacity to

around 200,000 vehicles a year

He said that Macedonia MAKPETROL, Macedonia's

Macedonia would cover the full cost of the \$60m project, agreed while Macedonia was still part of Yugoslavia. Completion is

Macedonia will buy up to

Korea Singapore

Hong Kong

and many local south-east

Asian manufacturers are

expected to benefit from the

strong yen as more and more

Japanese companies source

their components from foreign

"Some Japanese companies are converting their source of

supply of components, for

example from Japan to south-east Asian countries such as

Malaysia or Singapore," said

Mr Richard Han, president

and chief executive of the Thai

company Hana Microelectron-

ics, has already noticed increasing interest from his

Japanese clients, although he

expects prospective new customers to move cautiously rather than "rush and sub-

contract everything the next

Hana, employing 900 people,

The pipeline is the first important infrastructure project to be launched in Macedonia since it broke away from the former Yugoslavia in 1991. There are plans to extend the pipeline to neighbouring

overseas, but is keeping fac-Brussels doubles duty

By Andrew HIU in Brussels

printed circuit boards.

Although some of the compa-

ny's inputs are imported from Japan, its biggest cost is machinery (much of it Ameri-

can) and it has the advantage of relatively cheap Thai labour.

If Japanese companies suffer-ing from the yen do not find it

worthwhile to move abroad,

"subcontractors like myself are

perhaps fortuitously in a posi-

tion to reap some of the bene-fit," says Mr Han. Even when there is a shift of

manufacturing from Japan to

other Asian countries, it is not

being made across the board.

Japanese companies are keep-

ing production of more

value-added products strictly

Mitsubishi Electric, for

of mass-market products such

JAPANESE DIRECT INVESTMENT

IN ASIA (US\$m)

THE European Commission has almost doubled antidumping duties on plastic woven sacks imported into the Community from China, after manufacturers allegedly absorbed the original duties instead of increasing prices.

inguiry.

tory capacity in Japan free to produce high-definition televi-sions for when market demand grows.

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April - Company

Japanese executives say that the high level of technological skills required to manufacture leading-edge products means these will have to be kept in

Japan for some time.

The picture that emerges is of an increasingly clear division of labour between Japan and the rest of Asia.

Mr Masaru Takagi, chief economist at Fuji Research Institute, believes this separation of roles will not be limited to mass-market products sold overseas but will increasingly extend to those aimed at the Japanese market as well.

While Japanese car-makers are currently exporting mass-market cars to Asia, Mr Takagi sees the reverse happening in

the future. The recent strengthening of the yen is not always good news for Asian countries and companies outside Japan, par-ticularly those - such as Indonesia - with substantial yen

loans to repay. However, as Japan starts to rely on imports for high-vol-ume products and shifts its exports to low-volume, value-added goods, the trade balance is expected to

"Japan's trade surplus with Asia will shrink," Mr Takagi example, is moving production says, "and in the long run, a trade deficit with the region is as video cassette recorders

Macedonia starts work on Russian gas pipeline

By Kerin Hope in Skopje

state-owned energy company, has started building a 100km pipeline to carry Russian natural gas from the Bulgarian border to Skopje, the republic's capital.

Mr Ljubomir Janev, general manager of Makpetrol, said

could afford the project because the pipe sections were being produced by a local manufacturer, the state-owned Macedonia Pipeworks.

According to Mr Janev, the pipeline would reduce the country's dependence on imported oil. It would also enable the Skopje refinery to increase its production of jet fuel and other petroleum products, because it would no longer have to produce fuel oil for

800,000 cubic metres of gas annually from Gazexport, the Russian supplier. The price has not yet been negotiated but Macedonia expects to arrange a barter agreement with payment in local products.

on sacks from China ject to an overall anti-dumping

It is only the second time that the Commission has used its fast-track "anti-absorption" procedure, which allows it to increase anti-dumping duties without opening a new full

duty of 85.7 per cent. "A mea-sure aimed at restoring the effect of the duty concerned is in the Community's interest, said the Commission.

The anti-absorption procedure was introduced in 1988. but not used as the basis for an inquiry until 1991. Some Brussels trade lawyers have suggested the fast-track procedure may infringe Gatt rules. Importers have also pointed out the reverse proce-dure - which allows for refunds when duties prove to

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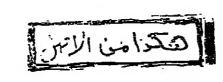
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	10,610	11,827	10,637
	1,367	1,413	1,425

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United chief urges end to deadlock in air route talks

THE BRITISH and US governments were urged yes-terday to advance their negotiations on the liberalisation of air routes in order to pave the way for broader multilateral talks in future involving other members of the European chairman of United Airlines, able to raise their voting indicated in London yesterday stakes in US companies to 49 that the talks had been given fresh impetus by the publica-tion last week of the report into the US aviation industry commissioned by President Clinton.

One of the report's recommendations was that airlines

per cent on condition that US companies operating in other countries should be allowed to take stakes in companies based in those countries. At present, overseas airlines are barred from exceeding a 25 per cent voting stake in US airlines.

the recommendations even that the existing impasse though he thought that, in in negotiations should be though he thought that, in practice, they would be less beneficial to US operators because of EC restrictions on because of EC restrictions on the US transport secretary, meets Mr Federico Pena, the US transport secretary, the US transport secretary, and the US transport secretary. foreign-owned carriers running routes in the community. But the report had given scope for building blocks in a new US-UK agreement.

resumption of negotiations in October.

Mr Wolf said he could not His main aim, however, was understand why both govern-

ments had declared that they wanted greater liberalisation, yet so far had agreed nothing. "It's like two drunks singing the same lyrics all the time but they can't get on the same mel-

ody." he said. Mr Wolf said he was "talking with officials" during his visit. He is hoping for some indica-tion that United Airlines will

to review

THE Securities and Invest-

ments Board, the City's chief regulatory watchdog, is to look into the way in which profes-sionals in the securities indus-

try trade to determine whether

tougher rules are needed to

The SIB said yesterday that

Mr Jonathan Agnew, former

chief executive at Kleinwort Benson, is to act as a tempo-

rary adviser heading the

review of wholesale market

The SIB also announced the

departure of two of its longest-

serving officials, Ms Colette

Bowe and Mr Martin Vile, as

part of an internal shake-up by

Mr Andrew Large, chairman, aimed at tightening controls

over the self-regulatory bodies

The SIB is searching for a

head of a newly formed Securi-ties Division and has estab-

lished three other divisions;

enforcement, policy and legal

affairs and operations. Under

the new structure, the roles of

the heads of the retail and

as insider dealing, current reg-

ulations are vague on the trad-

ing practices which are genu-

Hoover wins £1m

Scottish sweetener

which it oversees.

prevent market manipulation.

City watchdog

trading rules

cago to London. He believes the airline is well placed to be granted the route if the number of passengers carried between the two cities this year triggers the figure required in the 16-year-old Bermuda II agreement which regulates air traffic between the two countries.

lnely manipulative. Businesses can manipulate the market by

selling blocks of shares ahead

of flotation to drive share

prices down and then buy

these more cheaply.

The absence of guidance led

recently to a well-publicised

row over the government's auction of the third British

Telecom stake. In that case,

Warburg asked the London

Stock Exchange to put in place special rules to govern trading

in BT shares in the run-up to

the auction in order to prevent

market manipulation. But institutions complained that

the rules themselves consti-

Mr Large, in his review

released in May, targeted the development of derivative products and their increasing

integration with cash markets

as a matter which might need

further regulatory review. A

future share at an agreed price.

been concerned about whether

all market users get to see the

price at which a security was

last traded in order to ensure

that the price of derivatives accurately reflects the underly-

The SIB is also worried

about the growth in trades

between institutions which

trade with each other electron-

ically without fully recording

transactions. In his review, Mr

ing price of securities.

In particular, the SIB has

tuted market manipulation.

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Engineering recovery 'is very fragile'

SALES and orders figures for the UK engineering industry in the second quarter of the year show little change on the first quarter. They reflect weak home demand and sustained but fragile export

Mr lan Thompson, economic Mr Ian Thompson, economic adviser to the Engineering Employers' Federation, said: The trend is generally upwards, but it is very uncertain and fragile; our major export market is western Europe, but that market is by no means secure.

Figures for the industry from the Central Statistical Office, released yesterday, showed sales up by half of 1 per cent on the first quarter (at constant 1985 prices sea-sonally adjusted) with export sales up 4 per cent and home sales down 2 per cent.

Lloyd's decision is criticised

UNDERWRITERS of two of the heaviest lossmaking catastrophe reinsurance syndicates are continuing to trade as active members of the Lloyd's insurance market. Mr Patrick Fagan and Mr Derek Walker are listed derivative is in effect a futures contract to sell or deliver a as Lloyd's Names - the indi-viduals whose wealth supports the market - in the markets latest official list of partici-

> Lloyd's was criticised yesterday by the Association of Lloyd's Members, which represents some 9,000 Names for allowing the underwriters to retain membership.

Roof falls at second mine

Large wrote: "The over-the-A SECTION of roof supported by roof bolts at Ellington colliery, Northumberland, col-lapsed earlier this week, Brit-ish Coal confirmed yesterday. British Coal said there was "no comparison" between Tnesday's fall at Ellington and last week's accident at Bil-sthorpe colliery, Nottingham, in which a roof supported by bolts collapsed, killing three

> Nobody was injured in the Ellington incident which hap-pened 1,006 feet underground.

Confidence on student places

The number of school leavers unable to find university places is likely to be much lower than feared, Mr John Patten, education secretary,

Mr Patten, who returned to work this week after a six-week illness, said the outlook "is going to be nothing like as

Employers expect upturn to accelerate

By Peter Norman

THE CONFEDERATION of British Industry yesterday raised its forecast of economic growth in Britain this year and next. But it also warned that sluggish investment and persistent current-account and Budget deficits could still

upset a recovery.

The employers' group now expects gross domestic product will increase by a real 1.7 per cent this year, after a 0.4 per cent decline in 1992, with growth accelerating to 3 per cent in 1994. This is in line with the most recent consensus forecast for UK economic growth this year, as measured by Consensus Economics Inc. But the CBI is taking a more builish view than the forecasters' average growth projection of 2.6 per cent for 1994.

Its previous CBI forecast. published in May, predicted growth of 1.6 per cent this year and 26 per cent next year.

Mr Andrew Sentance, CBI's director of economic affairs. said stronger consumer demand had prompted the upward revision of this year's forecast and this was offsetting the negative impact of slower growth in continental Europe. cent in 1994.

hold back consumers' spending next year, the world economy was expected to be more favourable to growth in 1994. In its latest forecast, the CBI

Continued strong manufacturing output, rising by 3.3 per cent this year and 3.5 per cent

 Consumer spending up by 1.8 per cent this year and 2.3

 Exports of goods and services rising by about 5 per cent in volume this year and next. Company profits rising by a real 9.4 per cent this year and 4.1 per cent in 1994 after declines of 4.7 per cent and 3.6 per cent respectively in 1991 and 1992.

· Continuing low inflation. with the underlying rate (excluding mortgage interest rates) little changed at around 3 per cent at the end of next year and the "headline" rate. including mortgages, rising to 3.3 per cent by the end of 1994 from below 1.5 per cent at pres-

The group said it was concerned that investment would lag the recovery, rising by just 0.6 per cent across the whole economy this year and 1.7 per

Although tax increases would How the CBI expects the economy to grow

		% change on previous year				
		tturns, O data 1992		CBI recast 1994		
Total GDP (average measure)	-23.	-0.4*	1,7	3.0		
Manufacturing output	-5.3	-0.8	3.3	3.5		
Consumer spending	-2.2	0.0	1.8	2.3		
Fixed investment:	-9.9	-0.5	0.6	1.7		
General government (a)	-10.4	12.5	7.1	0.8		
Manufacturing (b)	-9.4	-3.0	-1.4	2.5		
Private dwellings	-18.7	-2.3	-1.3	3.1		
Other (mainly private services)	-8.4	-2.7	-0.4	1.5		
General government consumption	3.2	0.0	-0.8	1.0		
Exports (goods and services)	0.1	2.7	4.9	5.0		
Imports (goods and services)	-3.1	5.6	3.2	3.5		
Current account (20n) (c)	-7.7	-8.6	-17.5	-15.5		
Stockbuilding (£bn)	-3.4	-1.3	-1.2	0.6		
inflation (retail prices index) (d)	4.2	3.0	1.7	3.3		
Inflation (manufacturer's output prices) (d)	5.0	3.3	3,6	3.5		
Unemployment (millions) (E,F)	2.4	2.8	2.9	2.9		
Company profits (g)	-4.7	-3.6	9.4	4.1		
PSBR (Ebn) (d)	1991-92 13.7	1992-93 36.5	1993-94 46.4	1994-95 41.1		

(a) Excluding purchases, less sales of land and existing (b) including lessed essets

(a) UK, e/cluding school leavers, seasonally adju-

Tougher curbs demanded on state spending

Explore Africa next Wednesday.

(No passport necessary.)

Next Wednesday, the Financial Times is publishing a special survey entitled

In it we will outline and debate the current Issues facing the continent and

look at ways in which governments, donors and aid agencies are working to

For those interested in Africa's future it will make essential reading.

The Financial Times

'Africa: A continent at stake.'

Africa: A continent at stake.

THE Treasury yesterday issued a stern warning that govern-

ment spending "could all too easily" outstrip growth in the It said a rigorous approach to planning and management was required to prevent strong

pressures for extra spending

share of gross domestic product, cutting taxes "over time" and bringing the government's £50bn annual fiscal deficit back towards balance over the

medium term. An article published in the latest and final edition of the Treasury Bulletin warned that policy initiatives and threatening the government's influences that had resulted in

total public spending as a ratio of general government expenditure to GDP in the sury official fleshed out con-1980s no longer had a big

impact. More significant was the sharp rise of 3 per cent a year in general government expenditure since 1988-89. This acceleration of spending across pro-grammes "clearly cannot be sustained" if government spending is to fall as a share of policy objectives of reducing significant reductions in the national output, it said.

and the second second

cerns expressed by Mr Michael Portillo, the chief secretary to the Treasury and cabinet minister responsible for controlling public spending. It underlined why the government has committed itself to firm limits on the growth of spending and why it is reviewing the spending programmes of big government departments.

Alexandra

Treasury optimistic on growth

Delivering a cautiously upbeat assessment of the econlatest bulletin that developments in the first half of this year - with renewed growth in activity, an improving labour market, low inflation and a sound trade performance were "encouraging for the prospect of a period of sustained economic growth in the

the recovery was in its early days and it was too soon to be sure how it will develop. Latest figures suggested that gross domestic product rose % per cent between the second half of last year and the first half of 1993 and therefore "sig-nificantly faster" than the Budget forecast of 4 per cent.

European economies.

revised figures yesterday

The state of the s

By Peter Norman

BRITAIN'S economic growth this year is likely to be a "little stronger" than the 1.25 per cent forecast at the time of the March Budget, the Treasury said yesterday. It also said underlying inflation might be a little lower than the 3.75 per cent originally expected for the fourth quarter of this year.

years ahead". The Treasury cautioned that

This could have been due to temporary factors such as heavy price discounting. Risks existed such as the high level of personal sector debt and the weak state of the continental

wholesale market supervision were abolished. Ms Bowe and Mr Vile, who headed those divisions respectively, "will be making a career change", the SIB said. "It is likely the review could offer guidance to firms as to what constitutes market manipulation," a SIB official said. Aside from activities such

By Robert Taylor, Labour Correspondent GLASGOW Development Agency confirmed yesterday that it had made a contractual agreement worth about £1m with Hoover for the transfer of its manufacturing output from Dijon in France to Cambuslang in southern Scotland, creating

400 jobs. Last winter's announcement of the shift of production to Cambuslang provoked accusations in France that the move was in conflict with European Community regulations. The European Commission is now investigating.

Mr Lew Scott, the company's vice-president of manufacturing, said vesterday the Glasgow Development Agency had been "one of a number of key factors in giving our parent

company the confidence to commit itself to the consolidation of production at Cambuslang". Hoover has agreed to maintain the expanded level of employment at the plant. It will repay in full or in part the financial support from the agency if employment falls below an undisclosed figure over the next five to ten years.

Details of the agreement remain confidential, as does the exact size of the financial backing as part of a wider package of public assistance.

The agency, a joint private and public-sector body, said it had worked closely with Hoo-ver since early last year on its quality management programme. It will be responsible for paying for the training of the 400 people required by the company in its expansion at Cambuslang.

counter markets are growing rapidly and the regulators need to be sure that risks are cor-

forecast yesterday.

gloomy as some people have predicted".

Commentators suggested that thousands of students will fail to win places on arts courses this year because of a 30 per cent cut in tuition funding imposed by the government.

Bedpan's crash still reverberates

NEURIN BEVAN, the Labour cabinet minis-A Labour cabinet minister who founded the National Health Service soon after the second world war. once said that "when a bedpan is dropped on a hospital floor, its noise should resound in the Palace of Westminster".

His comment is still much ers pressing for more devolution use it to illustrate the absurdity of the modern NHS, one of the world's largest organisations, trying to function as though all decisions flow from ministers.

The argument continues even though the modern state health service differs markedly from that envisaged by Bevan. Priority holiday reading at the moment for Mrs Virginia Bottomley, the present health secretary in the Conservative government, is the report of the National Health Service Functions and Manpower Review.

The review's recommendations are set to stimulate an autumn political controversy over the extent to which the internal market created by the 1991 reforms in the state health service should be freed from central control.

In the reformed NHS, hospitals provide services and district health authorities and fundholding family doctors purchase them. But this market activity - now the mechaAlan Pike analyses discontent among health service chiefs

nism that drives the NHS - takes place within a bureaucratic structure that can be traced back to the service's origins in the nationalising, centralising 1940s.

Several thousand officials in the Department of Health in Whitehall and in regional health authorities and management executive outposts throughout the country continue to manage and supervise the service above purchaserprovider level.

Many hospital and health authority managers believe much of the higher-level structure has been rendered redundant by the reforms. The NHS now resembles a huge con-glomerate in which slimmeddown subsidiaries are struggling to reform an unwieldy head office.

Mrs Bottomley set up the review to examine management structure and allied issues. Its report will, however, advance options rather than a single blueprint - thereby pushing decisions back to min-

Mastering bureaucratic and political skills has always been a natural element of the job for NHS managers. Many were initially hesitant about the government's NHS reforms, which brought a more commercial edge to management style. But, after only two years of the new system, there is pressure from managers for more freedom with a scaling-down of the central and intermediate man-

ment structures. "Organisations throughout the world are flattening their structures and setting manag-ers clearer objectives," says Mr Ray Rowden, director of the Institute of Health Services Management. "The British health service cannot isolate

itself from those trends."

Advocates of a flatter structure reject suggestions that the establishment of trust hospi-tals, running their day-to-day affairs, has increased the need for supervision to ensure pub-lic accountability.

"It is possible for too much

bureaucracy and a culture of management-by-circular to get in the way of true accountability." says Mr Philip Hunt, director of the National Association of Health Authorities and Trusts (NAHAT). "A system in which ministers set policy goals, with the management executive, health authorities and trusts delivering them against strong performance

targets, could clarify objectives and increase accountability." Mr Rowden agrees: "It is possible to have both greater accountability and less structure. There is an elaborate regional structure at the moment, but a lack of clarity

about how accountability is supposed to work within it." The review team was chaired by Ms Kate Jenkins, a former head of the Thatcher govern-ment's efficiency unit and a member of the NHS policy board. Her antecedence as one of the originators of the government's Next Steps programme that established executive agencies, delivering services at arms length from government, made it certain that such a solution would be considered for the NHS.

Most managers doubt whether ministers will be prepared to turn the NHS management executive, which runs the service on a day-to-day basis on behalf of Mrs Bottomley, into an executive agency. But they hope the review will create a stronger separation between ministers' responsibilities for deciding policy and priorities, and the management structure in which these decisions are executed. "We need slimmer central and intermediate structures that support, facilitate and broker local market activity rather than try to direct it," says Mr Hunt.





new head of Puma. is so young he even has a few years' advantage over some of the top athletes sponsored by the sports shoe and clothing company.

By the standards of German business, where top executives in their 40s are a rarity, he is just out of

kindergarten. Linford Christie, the British sprinter who sped to victory in the men's 100m at last week's world athletics championships in Stuttgart, is his senior. So is Merlene Ottey, the Jamaican who won the women's 200m. Both are 33. Christie paraded his Puma alle-

giance when warming up for the 100m relay, in which Britain was beaten by the US team. "Biggest, baddest, best" was emblazoned on his T-shirt, which carried his individual sprint time of 9.87 seconds and the Puma logo. Stuttgart was good news for Puma, which needs all the promotional help it can get, Now owned by Aritmos, the Swedish sports and leisure group, it has had a rough ride since its non-voting shares were floated on the German stock market in 1986.

in common with Adidas, its larger rival - both are based in the north Bavarian town of Herzogenaurach and were founded by members of the Dassler family - it has suffered from the market onslaught of aggressive US competitors such as Nike and Reebok. The German companies were slow to react to changing tastes. Today, Puma is only a bit player in the US market, though it is rebuilding its position, and is under pressure from its Swedish owner to put on a stronger financial

Zeitz is the man chosen by Arit-mos to do this. He is Puma's fourth chief executive in two years. A former Colgate-Palmolive marketing employee with experience in the US and Germany, he was at Puma for four years before his promotion to the top job. His ascendancy reflects a more aggressive approach at Aritmos - which yesterday announced a first-half loss of SKr116m (29.7m) under the influence of its new 44 per cent shareholder, the Proventus investment group with the hands-on management style.

Zeitz admits he was somewhat surprised to be given the job - not so much because of his age, but because his three predecessors had all come from outside the company. As marketing director, however, Zeitz made his mark by shaking up the division and injected US-style methods he had learnt at Colgate.

"The key points they [Aritmos] were looking for were - experience in the sports goods sector and inter-national thinking, but also knowEUROMANAGERS TO WATCH

Running the show

Puma's new boss is blending US and German styles, says Andrew Fisher



Jochen Zeitz hopes to provide Puma with a convincing image

ledge of German specifics, which a German understands better than a foreigner. That's why they decided

Today, he reckons German companies are not just seeking an international education, but also experience abroad. "You have to be able to react flexibly to different situations. You need wide horizons and you have to understand different opinions, views and cultures. You can't do this with a purely German mentality.

Zeitz, a doctor's son whose business education began at the Euro-pean Business School near Wiesbaden, appears every inch the young, clean-cut German manager. He believes in fast decision-mak-

ing. minimal hierarchies, and total communication with fellow manag-ers. In the past, he says, "decisions were handed out by the board whose members kept things very much to themselves.

Much has changed since the company was run by the Dasslers, and Zeitz is not the first boss with international experience. After Puma started struggling in 1986, the family brought in Hans Woitschätzke as chief executive. Formerly in the pharmaceutical, printing and ski industries, Woltschätzke had worked in Canada, Venezuela and the US, as well as Germany. He left Puma in 1991, having returned it to a small profit which then evapo-

With much of the world now in recession, including Germany, which accounts for more than half the company's turnover. Zeitz has had to implement a rapid restruct-uring programme. This has stands for."

involved closure of the shoe plant in Germany - most supplies already came from the far east - extensive job cuts, and the creation of profit centres for the international (licensing and distribution), German, for-eign subsidiaries (including other European markets, Australia and Asia), and Hong Kong-based pur-chasing activities. He has cut down

on company cars and said all travel should be economy class. "My aim is to make changes as quickly as possible, so this compre-hensive restructuring was done in two months. The need is not to do things step-by-step, but deal with problems at once." Since Puma is turnover of DM513m (£202m) in 1992, an 11 per cent drop on 1991 -licence business lifted this to DMI.2bn - such sweeping changes can be introduced more readily than at a larger group such as

With Arimos, driven by the per-formance-oriented Proventus, looking over Zeitz's shoulder, the pressure to perform is even greater. Because of the restructuring costs, Puma will make an increased loss this year, a return to profit being the goal for 1995.

Rapid decisions are essential, Zeitz believes. "Sometimes, it's better to make an early decision that's not 100 per cent right than none at all," he says in a most un-German

He draws two important lessons from his experience of running a German company with a Swedish shareholder. Firstly, the German consensus-minded way of doing things, however laudable its long-term strategic aims, is often too inflexible and laden with compromise in these days of fast-moving markets, consumer preferences and product innovation.

Secondly, he believes other countries can learn much from Swedish management. There are good things in the German and US management styles, but the Swedish approach is a good combination. On the one hand, there is the long-term vision and the sense of continuity, as in Germany. But there is also the fast pragmatic decision-making which is the positive side of the US

practice." For Zeitz this means Puma has to do more than just sell shoes to make money. It has to put across a convincing image. At Stuttgart, the triumphs of Christie, Ottey, and Colin Jackson, the world record 110m hurdle champion, - a mere lad at 26 - helped publicise the Puma

"We want people with charisma, not just those who are number one," Zeitz stresses. "The consumer identifies with the image of a brand not just the product. We've got to communicate what the product

CHRISTOPHER LORENZ

Need to keep the change machine under control



trast between a lame management and a sprightly one than the ways in which Eastman Kodak and ABB are grasping the cactus of transformational change.

Bach announced last week that it is cutting more jobs: Kodak 10,000, ABB 7,000. But there any Kodak's action is belated and

defensive, as it struggles to save its crumbling world after decades of inertia in the face of surging competitive pressure. ABB's move is timely and aggressive: it will help it retain the lead it seized five years ago in remoulding its global sector, raising its industry's productivity standards, and accelerating its own business and management processes. This last objective will also be served by the streamlining of its interna-tional organisation which was unveiled this week.

The two companies' attitudes to the management of change are coincidentally analogous to the nature of their core businesses: on the one hand, a specialist in static images, on the other a company which makes flywheels of power. To Kodak, change has been a stop-start series of isolated, intermittent initiatives. But to ABB, since its creation in 1988 out of sprightly Asea and lumbering Brown Boveri, change has been a continuously evolving process which companies must anticipate and shape before their rivals do.

There are no prizes for guessing which approach is more necessary or effective in today's business chimate. Companies of all shapes. sizes and nationalities may, like Kodak, yearn for the comfortable days when change could be an intermittent process, in which one project or initiative could be completed before the next began. But all sorts of radical changes now need to be initiated in quick succession, and run either in parallel or as an integrated whole.

This point is brought home with a bang by a survey on "change management" which is about to be published by KPMG Management Consulting, an arm of KPMG Peat Marwick*. Most of its corporate respondents are running four or more different types of cross-functional change programmes. With ample justification, KPMG doubts whether many of them are being properly integrated.

The survey, of top executives in 250 medium-sized and large British companies, comes up with mixed conclusions. On the plus side, the majority of respondents (85 per cent) intend to persevere over the next three years with most of the fundamental change programmes that they are already running, in such areas as total quality management, customer care, culture change and empow-erment. They do not plan to dump or downgrade these existing initiatives in favour of the latest type

Companies should put more effort into implementing and co-ordinating change

programmes especially as events twist and turn, as they always will

of radical programme to hit the cene, business process redesign (or re-engineering).

The survey was carried out before re-engineering hit the headlines in Europe early this summer, but an updated mini-poll a month ago shows TQM and customer care still retaining their popularity in spite of widespread problems with TQM and a surge in plans to introduce re-engineering.

That is good news for those who feared that, as in the US, re-engineering would become the sudden. all-consuming flavour of the year. The US mania contrasts with the good sense of ABB, which has run co-ordinated programmes on TQM, "customer focus" (as it calls it), business process redesign, culture change and employee empowerment almost since its formation and expects them to continue

Thanks to ABB's careful integration of its programmes, and the restless, change-minded cul-

fered less than other companies from "change fatigue". This is almost certainly not the case for many of the companies in KPMG's sample – over a quarter of the total – which claim to have undertaken 10 or more change initia-tives in the last three years.

12.

e A. Granda

KPMG is remarkably mild about the severe problems that change fatigue can cause. It warms only of the need to co-ordinate and priori-tise "so that the change machine does not get out of control".

A more forceful and appropriate

comment was made recently by the rival Boston Consulting Group. Warning of "the danger of doing too much", BCG reported that many large US companies now had up to 15 "process improvement" initiatives under way, but that these seldom added up to a coherent programme.

In such cases, warned BCG, employees become so overloaded that they gravitate towards easily resolvable problems, and avoid the big ones. Tough cross-func-tional issues are ignored, and sacred cows continue to fatten. General managers grow increas-ingly sceptical, failing to see a link between all the improvement

programmes and the bottom line. On the last point, KPMG lets its gentlemanly stance slip a bit. It scratches its head over the fact that only 31 per cent of its respon-dents thought their programmes were "very effective", and is rightly concerned that managers dentified few tangible gauges of effectiveness. As it suggests, all sorts of measures should be car-ried out periodically, of staff attitudes, customer perceptions, and operational efficiency. Plus, of course wherever it can be identified, the impact of each pro-

gramme on the "bottom line". The lesson of all this is not that companies should drop change programmes which have turned tricky, but that they should put more effort into preparing, implementing and co-ordinating them especially as events twist and turn, as they always will. If companies cannot face that prospect they will land themselves in the same mire as Kodak.

* From Down Austwick, KPMG. Fax (UK) 071-832-8888.

PEOPLE

Queens Moat picks finance director

European hotels chain whose shares have been suspended since March pending a fundamental restructuring of £1bn of debt, has found a new finance

Andrew le Poidevin, like the new chief executive. Andrew Coppel, has been acting as a consultant at Queens Moat

The appointment will bring together the same team that was at the helm when the mini-conglomerate, Sale Tilney, went into receivership early this year; the two execu-tives worked together in the corporate finance department

de Poidevin then went to the corporate finance department of Prudential Bache before spending more than 18 months as finance director at Sale Tilney. His appointment is understood to have been supported by the creditor banks.

Coppel announced the appointment at a gloom-laden annual general meeting at which no additional information was given on the progress of the refinancing and restructuring, though he said that the process of putting Queens Moat back on to a sound footing would take up to three years. Shareholders were almost universally dismayed that John Bairstow, the company founder under whose chairmanship the company grew rapidly and then crashed,

was not available to face their

wrath after his resignation last Coppel said a new UK hotels

division had already been formed and would put much greater marketing focus into UK operations. Business in the hotels had been hit by the financial problems but stability had been restored; occupancy rates had begun to pick up.

Shareholders at the AGM which will be reconvened once the 1992 accounts are available approved the increase in Queen's Moat's borrowing limits to £2bn, thereby removing the link between debt limit and the shrinking asset base. Coppel could not say when

the suspension of dealings in Queens Moat shares would be



Shopping

Nurdin & Peacock, the cash

and carry operator which is opening one of the UK's first

US-style warehouse clubs, has

announced that David Rowley.

deputy chairman, will retire

next March. Rowley has been

with the company for 24 years,

and became managing director

in 1987. He had been deputy

chairman since 1991, his

responsibilities including prop-erty development, legal mat-

N&P says it will not nomi-

nate another deputy chairman; it is happy with the remaining

structure of chairman, Richard

Fulford, and group managing director, David Poole.

another executive director.

Alex Rentoul (right), 41, cur-

rently running Sandler Ren-

toul Associates, joins the board

from October, with responsibil-

it is, however, adding

ters and welfare.

around

■ Julian Smith (left) has been appointed a director of Grosvenor Square Properties a subsidiary of ASSOCIATED BRITISH PORTS HOLDINGS. David Fothergill, director of human resources, has been appointed to the board of TAUNTON CIDER; he becomes operations director in October and succeeds Brian Longstaff who retires at the end of the

■ Peter Levinsohn, formerly marketing director, has been appointed md responsible for all activities outside the Americas of Autotype

ity for corporate development,

strategic planning and new

accountant and has worked

previously in strategic plan-

ning and corporate develop

ment roles with Imperial Group and Booz Allen &

Hamilton. He knows N&P well;

when with Sandler Rentoul he

carried out strategic consul-

tancy for N&P, including on its

N&P is also appointing Roger

Strachan, 62, former finance

director of Nestlé UK, as a non-

warehouse club plans.

executive director.

Rentoul qualified as an

business development.

NORCROS. Brian Ferguson, president of Dana Distribution Europe,

International, part of

has been appointed senior vice president of DANA EUROPE.

John Shipley, md of the handling division, has also been appointed joint md of SOMMER ALLIBERT (UK). ■ Stephen Fairbank has been appointed marketing director, Peter Bondarenko export sales director and Michael Bramson UK and European sales director of AE Auto Parts, part of T&N's Engine Parts

Aftermarket Group. Wm Morrison, the Bradfordbased superstore chain, has appointed its first female

board director. She is Marie Melnyk, Morrison's trading director, who first worked for the company as a sixth-former studying for her A-levels. Now, aged 35, she is filling the board position vacated by Bob Emmott, the former joint deputy managing director who sprung a surprise by leaving to join J Sainsbury, the UK's largest superstore

Melnyk, described by a colleague as a "positive dynamo" decided not to go to university but joined Morrisons straight from school, and worked in the stores before becoming produce buyer in 1981. She became produce director in 1987, responsible for the procurement and buying of the whole produce range, and in 1990 trading director, supervising buying across the compicte range of groceries, nonfoods, fresh and frozen foods.



Gill Rowlands, commissioner for the rights of trade union members, will have an additional task from the end of the month when she becomes commissioner for protection against unlawful industrial

Admitting that it is "a very new concept". Rowlands explains: "I've not had much notice of this; we have no idea the legal framework apart
 of what will happen." Asked how the idea had arisen for the relevant legislation, the 1993 Trade Union and Employment Rights Act, she replied, hon-estly enough: "I have no idea; I just do the job."

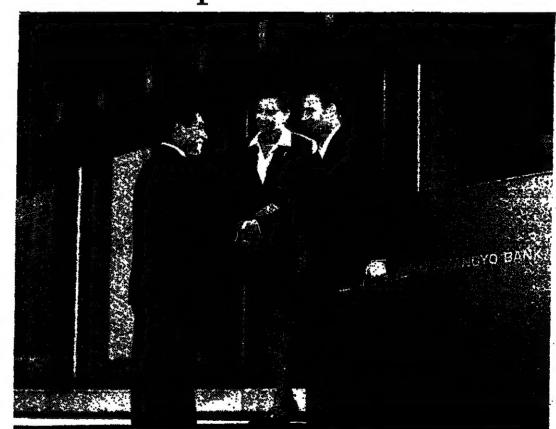
However, if her first commission is anything to go by, she is unlikely to be swept off her feet, and her five-man office in Warrington will probably cope. As friend of unhappy trade union members since 1988, she has fielded some 1,000 enquiries, 200 of which turned into applications for funding. A preference for settling out of court means very little is heard of her actions, nor, of course, are many senior trade union figures involved. "We get an awful lot of Jo Bloggses," says

the 63-year-old barrister. Now, if Bloggs qua member of the public feels he is being deprived of goods and services because of unlawful industrial action, he can apply to Rowlands for funds to bring proceedings in the High Court. Unlawful strikes being pretty rare event in Britain these days, she expects most of her work to come from regional instances of secondary

While she has kept a fairly low profile in her last job, she draws attention to certain difficulties, notably the fact that "you mustn't canvas members. or else you are taken for a union-basher. By now most trade union members know I exist." For the new commission, the publicity task will perhaps be a little more press-

picketing, blacking, and so on.

New markets? Then talk to Japan's financial expert.



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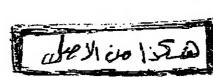
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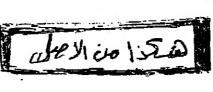
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lepsy is set to transvulsant market and the lives of the 53m people afflicted with the condition world-

After nearly 15 years without new treatment, four drugs are being launched for the condition which affects about 3m people in Europe, a similar number in Japan and 2.5m

Analysts at Merrill Lynch, the US investment house, believe the new medicines will, within the next few vears, double the size of the worldwide anti-epileptic market. At present the sector is small, worth only \$1.2bn (£357m) in 1992. Most existing treatments are off-patent and are therefore cheap.

The four new drugs expected to drive market growth are: Feibatol, developed by Carter-Wallace of the US and marketed outside America by Schering-Plough; Neurontin developed by Warner-Lambert, the US group; Lamictal, discovered by Wellcome of the UK; and Sabril, developed by US Marion Merrell Dow. Additional compounds in development include Trileptal from Ciba of Switzerland.

The new treatments are expected to be more effective than existing therapies at controlling epileptic seizures and to have fewer side effects. The established medicines include Warner-Lambert's Dilantin which has more than 50 per cent of the US market, Ciba's Tegretol, with 24 per cent of the market, and Abbott's Depakote.

The difficulties with the existing treatments are they do not prevent seizures in about 30 per cent of these medicines risk side-effects.

The drugs' effectiveness is dose related - the higher the dose the more effective they become. But as patients' intakes are increased to improve the control of their epilepsy, so they tend to suffer more side-effects - drowsiness, depression, weight gain, impaired gait and cines prove so toxic they can kill.

The side-effects mean that from 42 per cent to 60 per cent of patients fail to comply with medication, according to the UK's Office of Health Economics, a pharmaceutical research organisation.

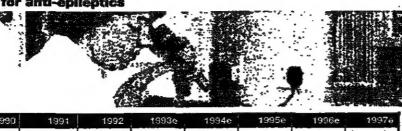
In failing to take drugs properly, those susceptible increase the risk of seizures. One study suggests missed doses and lack of sleep accounted for about 79 per cent of

Trevor Flannagan, strategic business manager at Wellcome says: "Epilepsy is the most serious central nervous system problem confronting us. The epileptic population is seriously disadvantaged.

Epilepsy drugs enter a new era

The size of the anti-convulsant drugs market is about to double, reports Paul Abrahams

The world market for anti-epileptics



		1990	1991	1992	1993e	1994e	1995e	1996e	1997e
Tegretol	Ciba	\$283m	\$318m	\$352m	\$377m	\$398m	\$415m	\$430m	\$435m
Dilantin	WLA	164	186	212	232	251	273	292	. 308
Sabril	MIKC	6	13	33	80	75	135	168	214
Trileptal	Ciba		1	8	15	22	30	38	45
Lamictal	Well			5	52	99	159	236	311
Felbatol	CAR				17	71	97	149	210
Felbatol	SGP*					3	25	68	102
Other	Various	493	582	590	615	. 641	643	646	688
Total		\$946m	\$1.100bn	\$1.200bn	\$1.368bn	\$1,560bn	\$1.777bn	\$2.027bm	\$2.311bn

with a significant proportion whose lives are significantly affected by seizures or side-effects or both."

"We need to have better products on both the safety and efficacy count," admits Mark Pierce, vice-president clinical research for the central nervous system at

The established generation of medicines were mostly developed through the classical method of massive screening projects in the 1960s or 1970s, although Dilantin was patented in 1938.

Since the 1970s however, scientists have been using improved knowledge of the biochemical process of epilepsy to design new com-pounds. Researchers have discovered that epilepsy is caused at least in part through the malfunctioning of naturally occurring amino acids that act as neurotransmitters.

Normally, the electrical activity in the brain's nerves is regulated by two classes of amino acids. The first are excitatory amino acids such as aspartate and glutamate, thought to help stimulate electrical signals from one nerve to another.

The second class of amino acids is inhibitors, the most important

being gamma aminobutyric acid. known as Gaba. Their function is to stabilise electrical activity in the brain. To do this, they open certain channels in the membrane of the nerve ending that are designed to admit negatively charged ions. Once the negative ions have been let into the nerve ending - or neu-ron - it becomes incapable of firing

drugs are being recommended as add-on therapies because there have been few trials testing them as single treatments

Most of the new

electrical signals. To be able to fire, the neuron has to be positively charged. The more Gaba available, the slower the neurons' firing rate. In most common forms of epilepsy, the normal balance between the excitatory amino acids and the regulatory ones breaks down. The

result is the brain's nerve endings start firing electrical signals out of control, triggering neighbouring neurons until a seizure takes place.

The earlier drugs, Dilantin and Tegretol, worked by preventing the excessive signals being triggered. Scientists are unsure of exactly how the prevention mechanism worked. Some believe it blocked certain channels in the neurons' membrane that allow positively charged ions such as sodium to pass into the neuron. Once the neurons are positively charged they have greater potential to trigger excessive electrical signals.

More recently, researchers have been following two main theoretical routes. The first is to discourage the production or action of the excitatory amino acids. This would prevent the seizure spreading through the brain. The second route is to enhance levels of Gaba, the regulatory substance, and so stop the seizure by stabilising the neurons.

The first of the new medicines to be given a licence in the US by the Food and Drug Administration is Carter Wallace's Felbatol, which gained approval this month. Peder Jensen, vice-president for

clinical research at Schering Plough Research Institute, says the drug was discovered through traditional techniques rather than rational drug design, following a mass-screening programme by the US National Institutes of Health at the

beginning of the 1980s.
Scientists are still struggling to scientists are sum strugging to find out how it works, admits Jen-sen. One study of patients whose-previous medication was ineffec-tive, showed a 34 per cent reduction in selzure frequency compared with a 9 per cent fall among those on placebo. The drug also has low tox-

ing.

Felbatol's main drawback is it interacts with existing medications such as Dilantin. This is important because few patients are willing to swap medications, and at best will only add to their regimen - the majority, whose seizures are under control, have little incentive to switch to an unknown medication. Jensen says the interactions are predictable and can be avoided.

Warner-Lambert's Neurontin was designed with the knowledge at least some of the blochemical processes of epilepsy. The drug is an analogue of an amino acid and is supposed to emulate Gaba.

Elizabeth Garofalo, associate director of clinical research at the company, says that although the compound was synthesised to mimic Gaba, it does not appear to do so. It does reduce seizures, however. One theory is it affects aspertate and glutamate, the excitatory amino acids. It does not interact

with other drugs.

Marion Merrell Dow's Sabril was also designed with the knowledge of the biochemical processes. Its unique mechanism is that it inhibits the production of an enzyme that breaks down Gaba and so increases Gaba levels in the brain.

Wellcome's Lamictal appears to work by preventing the excessive release of glutamate. It probably does this by blocking the sodium

Ciba's Trileptal also interferes with the sodium channels in the membrane of the neuron, aithough it may also open potassium chan-nels, according to Markus Schmutz, head of the company's pre-clinical epilepsy project. Most of the new drugs are being

recommended as add-on therapie because there have been few trials testing them as single treatments. They are all in their infancy. We are at the start of a very long process as we start the long-term com-

parative trials," says Pierce. It is too early to know which drugs will win commercially. With luck, the winners will be those coping with epilepsy on a day-to-day

The series will continue next month with an article on diabetes.

Worth Watching · Della Bradshaw



A helping hand for the imagination

Engineers who design cars or buildings on the computer screen have to rely largely on imagination to envisage the final product. Now they can visualise the objects through virtual reality

Bristol-based Division has adapted its dVise VR software so that it can be used with popular Cad packages such as AutoCad, 3D Studio and MultiGen. To visualise the design nd to manipulate those imag the designer simply attaches the VR headset and other equipment to the Cad system. Division: UK.

 Japanese games supremo Nintendo has joined with Silicon Graphics to develop a VR games nachine for the home. At the neart of the machine, which will appear in arcades in 1994 and in the home by late 1995, is Silicon Graphics' Multimedia Engine. Nintendo: US, 206 882

Face to face on the computer screen

Biometric security devices retina scanning, for example rely on complex machinery to recognise the would-be con user. A computer security device developed by Visage, of Buckinghamshire, relies on one person recognising another, and could be sold for as little as £20.

The Visage system flashes a matrix of several faces on to the screen. The users have previously scanned into the computer photos of people they know – partner or sibling, say – who resemble each other. They then pick the three pictures from a dozen on the screen. The user then taps in the numbers of the sequence in which the faces appeared.

The faces cannot be forgotten.

Nor can the user write down the

"answer" as the pictures are

randomly organised on the screen. Visage: UK, 0494 481263.

Personal telephone number may be up

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The concept of a single personal telephone number, that follows the consumer from home to work and into the car, may seem alluring. But the technology research company Ovum is cautious about whether UPT (nniversal personal elecommunications) will gain

widespread acceptance. In its report, "Personal Numbering Services: the Business Opportunities for UPT", Ovum orecasts that only 132m European customers will subscribe to the service within the next 10 years and 156m in the US. This will result in projected revenues of \$6.8bn (£4.56bn) per annum in Europe and \$12bn in the US by the year 2000. Ovum: UK, 071 255 2670.

Driving for the largest capacity

As computer and memory card manufacturers standardise on the PCMCIA (personal computer memory card international association) interface, disc drive makers are battling to develop the drive with the largest

capacity.

Maxtor, is claiming the lead. with a 105 Megabytes drive enough to store the equivalent of 20m words. It weighs 2.50z and is the thickest of the three types of PCMCIA drives, at 10.5mm deep. Maxtor: US, 408 432 1700; UK, 0483 747356.

A rose by any other shape

A rose by any other name may smell as sweet, but genetic manipulation is required to ensure that it has a stem as smooth as a tulip, or a flower as large as a chrysanthemum.

The International Fioriculture Co-operative Research Centre, in Australia, is spending A\$18m (28.18m) to develop tailor-made flowers, with the colour and fragrance that fashion predicts. The work is funded by the Australian government, research organisations and businesses—including Calgene Pacific, which is about to produce a blue rose. Calgene Pacific: Australia, 3 419 5844.

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August 1993

Commercial Property

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Department of Trade

PROPERTY

ment market turned up decisively in May. bringing the first good news in four years to a depressed sector. There was a change of mood, and with it a feeling that values had hit bottom and the decline was over. Yields have come down, even

for central London offices. Although rents are still dropping, the fall in yields is enough to nudge values up. The reason for the change is not hard to identify: the amount money available for investment in property is the highest it has been for more than 10 years.

Hillier Parker, the surveyer, has compiled a list of 145 buyers, each with at least £10m to spend and with aggregate available funds of £7.25bn.

The contrast with the late-1980s period of heady develop-ment activity is best illustrated by the experience of insurance companies, whose annual net flow of investment into property barely topped £2bn in any one year in the 1980s. The 29 insurance companies on the Hillier Parker list alone now have a total of £2.7bn to

Most buyers are competing for a fairly narrow band of property where the quality of the tenant's covenant - financial strength - is of prime importance. There is a shortage of property in this band, so unless insurance companies relax their requirements, they will fail to find a home for Investment funds have reached a new peak, says Russell Schiller

Now the market has turned,

the nub of the problem for investors is the mismatch of supply and demand. There is plenty of property to buy, much of it held by the banks, but with empty space still a problem, buyers have not yet been prepared to offer attractive prices unless the conditions of a first-class covenant are relaxed.

A few brave souls bought in 1992, encouraged to do so by three main fac-

First, in the short term they gambled on yields coming down when the investing herd followed them into the mar-

Second, if the covenant was good, which it usually was, they would gain a secure medium-term income at little risk and with better returns than

there might be a faint prospect of genuine rental growth. In summary, the short, medium and long-term grounds for buying could add up to a combina tion of good capital growth and a high-yielding income stream.

from falling yields.

Unless insurers ease their terms, they will fail to find a home for their billions natural haven

ket. This would protect them against the continuing slide in

Finally, in the longer term,

The position today is less attractive for investors wishing to buy properties with good covenants. This is because the

opportunity for anticipating the turn in the market has sed. Yields could fall further, driven by the volume of money available for investment and greater confidence in the economy, but it is already too late to gain the full benefit

The next stage of recovery in the investment market is

dependent, in part, on a relaxation of the nition of good covenant Reliance on covenant was a

during the recession. It led to preference being given to a poor property with a good tenant compared with a good property occupied mal property criteria of mod-ern specification and accessible location leading to healthy tenant demand were given less weight than certainty of

Eventually the balance between covenant strength and a property's fundamental attractions seems certain to tip in favour of the latter. Recovery will lead first to a reduction in the danger of a tenant defaulting on the rent. Next will come a pick-up in tenant demand, and finally empty space will start to be

This will all take time, and the naturally cautious institutional buyers will be reluctant to relax their desire for secure income until they are sure it is safe to do so. The effect will be to give opportunities for bolder investors to get into the mar-ket ahead of them, as happened in 1992 and the early

part of this year. As the property market slowly returns to being a growth investment there will be an increasing distinction between 'prime' and 'second-

ary properties. Property will be rated according to its size, specifica-tion and location, and to the extent which it satisfies the needs of the market and can generate rental growth. Having a good tenant is only part of the criteria; if the property specilics are good a departing ten-

ant can be replaced. Describing pre-recession prime property stills feels a bit like indulging in nostalgia. The past four years have left deep scars which will leave investors sceptical about property for years to come. Despite this, the focus on covenant is starting to recede and property investment is coming back to

IPD monthly index for July

Market stabilises

he commercial property market continued to recover in July as yields fell for the fifth con investment Property Databank, a research group, writes Vanessa Houlder. The aggregate equivalent

yield fell by 0.09 points to 9.7 per cent. Capital growth and total returns remained at 0.5 per cent and 1.2 per cent, indicating a stabilising market. Although rental values are still falling, the rate of decline is slower at 0.7 per

In the seven months to July

erty averaged £6.9m a month. This is a turnaround from the average £5.4m that was disinvested each month during

97.915

3/0.4

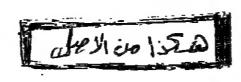
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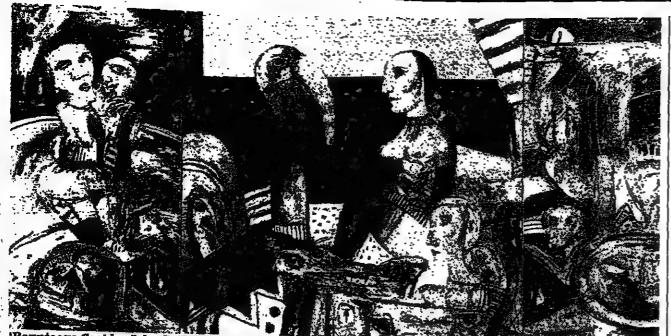
The decline in capital growth slowed by 1 percentage point, from -6.3 per cent for the year to June, to -5.2 per cent for the year to July.

Rental value growth for the year was more or less unchanged at -10.7 per cent.

The office sector recorded a positive year was most recorded a

The office sector recorded a positive year-on-year return of 0.2 per cent for the first time in three years. Betail property retained its position as best performing sector in July, returning 1.4 per cent against 1.5 per cent in June 1.5 per cent in June.





When anatomy classes paid off

erious students of contemporary Scottish painting are enjoying an aestas mirabilis. North of the border, there are two important retrospectives, of Peter Howson at the McLellan Galleries in Glasgow (reviewed by Mary Rose Beaumont in July) and of Steven Campbell at the Talbot Rica Gallery in Edinburgh. The festival city, despite its afficial disdain for the visual arts, also offers non-representational work by Scot-ish artists at the College of Art.

Those confined to London may take comfort, however. The Angela Flowers fallery has organised an excellent survey f Scottish painting which fills both its last End branches until September. The trength of the show lies in the range of rork, which goes beyond the generation rhich broke through to fame in the 1980s, o include work from both older and ounger graduates of the four Scottish art chools, Glasgow, Edinburgh, Dundee and berdeen, and some of their teachers. As a student at Edinburgh College of

rt I often found its academic discipline fe, still life and anatomy classes were impulsory - and the unquestioning ceptance of painting for painting's sake and to bear. Eventually, however, I came love the life class, and the absorbing ruggle with that endlessly difficult task, e representation of the human figure. Many of the artists in this exhibition intinue in this tradition, and their confint use of the figure is striking at a time nen it is widely assumed to have ceased be part of the contemporary artistic cabulary. Also notable is the wide range expressive purposes the figure is made

John Bellany, father of the present gen-tion of Scottish magical realists, fills

uring the past seven

years or so, the Oslo

Philharmonic has

earned unstinting

miration over here. doubtedly it owes much to

conductor Mariss Jansons

at a Norwegian), but the

ying - strong, musicianly, ally responsive - speaks for

'et for the Prom concerts on

nday and Tuesday, it took

e phenomenon Midori in

ialkovsky's violin concerto.

then Yuri Bashmet in the

icerto Bartok was writing

an he died. The orchestra

d not have been so modest,

ng itself a grade-A draw.

l, Bashmet's extraordinary

ount of the Bartok was mar-

spersions are often cast

in Tibor Serly's posthumous

mpletion" of the concerto.

as won a place in the reper-

e only because violists des-

ately need something sub-

ntial by some major iposer after Mozart, Berlioz

Walton, But if this "Bar-

ours to bear.

e to have international solo-

. : es draws; first the Japa-

large, semi-autobiographical, semi-mythi-cal canvases like "Bounteous Sea," 1993, with a cast of sloe-eyed beauties both real and imaginary. Steven Campbell invents an impossible yet strangely familiar storybook world in work such as "The Sadness of Swiss Peasants on the Rhine," 1969, where some sinister meaning lurks close

to the deceivingly light-hearted surface. The tradition of realism, drawing from the life, permits Jock McFadyen and Henry Kondracki to explore the city streets, capturing their inhabitants with humour and peinterly dash. Peter Howson also uses his studies of street life as a basis for his enormous mythological can-

Lynn MacRitchie finds Scottish figurative painting alive and well

vases. Margaret Hunter and Gwen Hardie. who both studied with Georg Baselitz after their training in Scotland, make close examination of the figure central to their work. While in "Woman with Apron," 1992. Hunter's figure is stripped down to a primitive essence at its centre, Hardie moves ever closer to the body (usually her own), until in "Unto Me," 1992, details - in this case about three quarters of a face become huge abstract forms rendered in blobs of paint applied with sponge or fingers. For June Redfern, in canvases such "Two Songs II," 1992, large, usually female, figures articulate a psychological or spiritual space, brought alive by those other Scottish preoccupations, the impor-tance of colour and the handling of paint. "Painterly" was a term of praise in my time and must remain so, for there are few

Promenade concerts

The Oslo Philharmonic

The OPO also played Stra-

vinsky's 1919 Firebird suite,

where Jansons engineered

quite original balances - we

heard some bold harmonic

relations as if for the first time:

and Dvorak's G major Sym-

phony, darker and tauter than

usual It had begun with Rag-

nar Soderlind's Trauermusik,

composed a quarter-century

ago in response to the crushing

of the Prague Spring: tough

and terse (just 8 minutes long)

but laden with complex feeling.

rendered in sure orchestral

strokes. Though Soderlind is

no modernist, he sounds like a

real composer whom we should

On Monday the orchestra made

Strause's Alpine Symphony a

continuously gripping and

enjoyable experience, bursting

with colour and energy - and this in spite of two handicaps

David Murray

tók" concerto cannot pretend

to be just what the composer

would have written had he

lived, it is nonetheless a sub-

stantial piece. Seriy's many

Bartók arrangements prove

him to be a scrupulous disci-

ple; more important, the viola

concerto has its own numerat.

introspective consistency of

tone, echt-Bartókian and yet

distinct from any of his previ-

ous music. The piece can seem

wan, fitful and episodic; not,

however, in Bashmet's hands.

He is a magnificent brooder.

Even single notes may have a smouldering density. That is

not a matter of throbbing tim-

bre, but rather of expressive

sense relentlessly pursued.

Here, Bashmet's tempi were

uncommonly deliberate, the

better to fathom the world-weary gentleness of this

last Bartok score. Without his-

trionics or overt virtuosity he

gave it the scathing candour of

an unedited testament.

works here which do not merit it. Even those artists who have moved away from direct rendition of image on canvas to use their skills for different ends - the explorations of natural processes such as "HDE 226868" by Glen Onwin, for example, or "Symbol Stone," 1983, by Kate Whiteford, reveal both their skill at and pleasure in mark making and textural richness. The purely abstract works are perhaps the weakest in the show, not quite far enough removed from their inspiration in landscape in the case of Buchan and Shanks or rigorous enough in their presentation of colour (Colombo, Maclean) to travel far from the merely decorative. Their handling of paint, however, as should be expected from the heirs of Peploe, McTaggart and Gillies, is unfailingly impressive. Alan Davie shows the usefulness of image to anchor abstraction, even though the eclecticism of his magpie hoard of symbols ultimately weakens their effect.

Scottish painting is far from perfect. I still find myself baulking at its self-centredness, the narrow path from sketch-book to canvas, the reliance on a limited vocabulary of images - some drawn from the glorification of a brutal culture - and their repetition to the point of cliché. But these are generalisations, and this is a show of individuals, each of whose work demands attention, and the culmination of whose efforts over the last 30 years has led to the development of a body of work which grows ever more impressive with the passage of time.

Scottish Painters, Flowers East and Flowers East at Loudon Fields, 6 August until 12 September. Flowers East, 199/205 Richmond Road, London E8 3NJ. Tel 081 985

ous, or even insupportable.

Philharmonic is not a "native"

Strauss orchestra. Yet so

brightly enthusiastic was the

Oslo attack, so unflagging the players' appetite, that even

your reviewer, the most erratic

of Straussians, was won over.

The concert, which was tele-

vised live on BBC-2 and broad-

cast on Radio 3, opened with

Alfred Schnittke's (R)ein Som-

mernachistraum of 1983, a

rather strenuous comic squib

in the manner of Charles Ives.

It then offered the Tchaikov-

sky Violin Concerto, with

Midori, the Japanese Wunder-

kind, making her Proms debut.

in the reflective passages she was lyrical, tender, velvety,

exquisite; in the bravura ones

incompletely absorbed.

The Edinburgh Festival

MacMillan's operatic issues

he festival prospectus promised us a "double bill of operas". Whatever else they may be, Busqueda and Visitatio sepulchri by James MacMillan are not that and the evening devoted to them at the King's Theatre on Wednesday left impressions that were anything but operatic.

This was the most substantial offering of Edinburgh's in-depth survey of MacMillan's work. For those not familiar with the composer, a brief biography may be helpful. Mac-Millan is Scottish, at 34 still young in today's terms, his homeland's leading voice in new music. He has taken up a decisive stance on political and religious issues. Of these two works, both are steeped in the Catholic faith and one also recalls a recent case of political mass injustice, beliefs on Mac-

ow curious to find that Gertrude Stein, the American in

Millan's part which give this starts with a lot of unconvincing agitation from the orches-

Visitatio sepulchri is less an opera more a celebration of faith. It sets a 14th-century liturgical drama that would have been enacted at Notre Dame in Paris on Easter Sunday. First the crucifizion, then the resurrection as recounted by three angels to three women, and finally a "Te Deum", its culmination in a

hymn of praise. The intention is to portray the events in as objective a manner as possible, so Mac-Millan effectively de-personalises his music, having the text chanted or sung in ensemble wherever possible; no individual emotional response is allowed. Much of the central section is spare, as though wanting to convey an antiquity of tone, resonating down the centuries. The "Te Deum"

tra, too angst-filled to be appropriate to the words, but rises at the end to glorification.

None of this is easy to bring off and Francisco Negrin's stage production tipped the piece well over the edge into pretentiousness. Wafted on a cloud of incense, three semi-naked dancers pose half way up the wall, while the women and angels play spot the symbol-ism, flicking water at each other and ripping pages out of books with very meaningful looks. Next time I would like to see a simple re-enactment of the drama.

For Busqueda, even that is unnecessary. MacMillan's theme here is the lost sons of Argentina, a subject already memorably captured on film. An opera is words through

he gives us is a collage, in which poems written by the mothers of "the disappeared" are read or sometimes chanted interspersed with sections of

the Latin Mass.
There is little singing: indeed little music imposes at all. As an accompaniment to the poetry, the score is sparse, generally expressing an elegiac mood of grief, as filtered through years of waiting. I found its response to the poems mostly simple and moving. The narrator was Juliet Stevenson and Ivor Bolton conducted the Scottish Chamber Orchestra, seated on stage, where there was thankfully no production to distract our

Richard Fairman Sponsored by Scottish Power

Dr Faustus Lights the Lights

avant-garde wordplay, wrote Dr Faustus Lights the Lights with Britain in mind - as an operatic sequel to A Wedding killed by a viper) and Orpheus Bouquet (the choral ballet, still (who went to Hell to retrieve extant in repertory today, which Lord Berners had creher), and makes Mr Viper a recurrent theme in her tale-noated from her play They Must. Be Wedded. To Their Wife.) tale of Doctor Faustus and Marguerite Ida and Helena Now Robert Wilson, another Annabel. (At the start of Act American pioneer and leading Two, someone asks "Would the creator of new-wave theatre viper have stung her if she had since the 1960s, has collaboonly had one name?"). Faustus. rated on a new production like Julia in A Wedding Bouwith the German sound artist quet, has a dog played by a Hans Peter Kuhn. The result, brought by the Hebbel-Theater. Beneath this entertaining

Berlin, is arresting, bizarre, ironic, droll, absorbing, fasciabsurdist facade, you can sense Stein the dissident feminist. She rewrites Faustus's story to make him a scientist; he has At surface level, Stein's text is a post-Lewis Carroll-array of created electric light, he is hellrhyming nonsense jokes. Because Marlowe had his Pausbent on going to Hell, and, when he rejuvenates himself. tus fall for Helen of Troy, he loses Marguerite Ida and whereas Goethe's Faust falls Helena Annabel forever for Marguerite, Stein's Faustus because she no longer recogfalls for a heroine who is called nises him. The feeling of hero "Marguerite Ida and Helena and heroine for each other is Annabel". And because Fausconstantly ambivalent; and tus chooses to go to Hell, Stein you feel Stein's resentment of the role traditionally played by Marguerite as Faustus's ideal deliberately confuses her story with that of Eurydice (who was

Wilson's staging, at every stage elegant and incisive, goes for every bizarrerie and irony in Stein's text and compounds them with others. Three Faustuses; three Marguerite Idas; two Mephistos, A nine-foot-tall countrywoman played by a man on stilts beneath his skirts. Image after image strikes you with the same ironic visual force that keeps bubbling up in the text. Devils hover aloft, Faustuses lean out sideways from the proscenium arch. Light and dark are contrasted in one way after another; abstract forms and hues catch and intensify mean-

and victim and saviour.

ings in the text, At one point, Wilson catches all the ambiguities of the Faustus-Marguerite love-death victim-viper-killer nexus, by making one Faustus advance to plant his snarling mouth on one Marguerite's neck like some vampire snake, only to find that in so doing he

impales himself on the blade that she impassively holds in her hand. Meanwhile, another Marguerite, wandering with a candle, at last unites its light with the electric light that has hung over Faustus. In an earlier treatment of the viper bite, as we hear all three Marguerites scream, a gash of red suddenly cleaves the black sky, like a rising red poker.

Kuhn's music is in post-Satie vein, full of sub-vaudeville tunes and muted compah rhythms that almost become tangos. The German cast speak their English with utter clarity, though with even more staccato emphasis than appropriate. The fact that Stein was turning language into music is made beautifully clear, and every metre is pointed deliciously - but Kuhn's music and the actors' delivery could profit from a bit more legato and dynamic variety. But if this staging falters in its handling of the fourth dimension (time), Stein's text keeps it lively. And it is always clear that the three dimensions of space (and light) are being han-

Alastair Macaulav

It's comic time (again) on the Fringe

here is an awful lot of (awful) comedy infesting the Fringe this year which forced the poor Perrier judges, looking for the best comedian, to check out over 100 shows. that in other circumstances could well have proved oner-They have come up with a short list of seven, one of whom receives on Saturday The first, of course, is that the work itself is twaddle virnight a smallish cheque and, on past expetually from beginning to end. rience, a nice television contract. The second is that the Oslo

Corky and the Juice Pigs is a high energy Canadian comedy band. The rest are stand ups. Lee Evans is the Norman Wisdom of our age; Phil Kay is Scots and calls up strangers on the phone to pad out his act: Greg Proops is American and features in crisp commercials; Parrot is bleakly tough and naturally another Scot: Johnny Meres was once Johnny Immate rial; and Donna McPhail is not Scots but a

woman and the likely winner.

A lot of fuss, much of it from McPhail herself, has been made of the fact that she chose her Edinburgh show to come out as a lesbian, although she is quick to add
"I'm not a proper lesbian; I don't fancy
K.D. Lang." Sexuality forms a good chunk of her act at the Gilded Balloon (after all this is the Fringe) but then so do other favourite topics for routines, like women's changing rooms and long train journeys. McPhail is confident; masterful in a Head

Girly sort of way; and funny.

Asking "Why 'Grease, the Musical'? Do we imagine it is 'Grease, the Lubricant'?" she adds, "Still there are people prepared to pay to watch a ton of lard — it's called rather effortful, unsparkling, as though diligently repeating a lesson carefully learned but Max Loppert opera." She also asks the perennial ques-

answers it "Try and get some sleep, but its difficult with so many people watching through the window."

The Perrier Award perpetuates standpaying punters, have lost interest in anal pathetic. He somehow manages to re-incar-fixated anecdotes about the performer's nate John Major, the caberet artist, if he childhood, or oddball monologues about had not stumbled on politics. contact lenses and bodily fluids. The wiser comedians come up with some packaging these days. For Arthur Smith it is writing witty plays. His brilliant An Evening with

Antony Thorncroft checks out the Perrier short list but finds that wiser comedians come with more packaging

Gary Lineker seems destined to haunt Edinburgh for ever. His latest, Sod, (at the Pleasance) will quickly disappear again

underground. We are just not interested why Frank decides to bury himself in his back garden for four months. It is immaterial to the real play, which is Smith's memories, conveyed through Frank's ten year old son, of the summer holidays of childhood "when it was always boiling hot and every pop song was a classic." This is a sketch too far, with slight whimsical charm.

Other comedians develop a character. Last year Graham Fellows turned up as

tion: "What do lesbians do in bed?" And John Shuttleworth, a former security guard at a Rotherham sweet factory who entertained the old folks on his Yamaha and was only too happy to pass on tips on a career in show business. Shuttleworth is ups, but many comedians, and even more now more rounded and much more

There are more awful songs which become worryingly catchy, like "Up and down like a bride's nightle", but the sadness of the eternal optimist who only has unemployment, a bored wife, and trips to Texas Home Stores to look forward to, is schingly conveyed. Shuttleworth captures the limited concerns of the common man and in spite of all the banality, is very sympathetic. And Fellows is very funny.

The other favoured form of comedy is the sketch show, taken to extremes by Stewart Lee and Richard Herring in Lionel Nimrod's Inexplicable World. This is a case of comic regression. Most fringe performers spend the next year regurgitating their material on the radio; Lee and Herring's act has already been aired on Radio 4.

They attempt to answer the Big Ones: do ghosts exist?; are monsters real?; and although they are as unstructured as student humorists they are extremely amusing, not least in the running gag on Herring's sexual inexperience. The climax, when Lee re-writes the Dead Sea Exercise Book, in which the future is ordained, is as nicely argued a piece of comic surrealism as you will find anywhere.

INTERNATIONAL

Metropolitan Opera opens 993-4 season on September by celebrating the 25th iversary of the Met debuts lacido Domingo and Luciano arotti, James Levine wili duct stagings of Die Walküre I. Otelio Act I and II trovatore III. The cast also includes imir Chernov, Kallen erian, Waltraud Meier, Sherrill es and Hans Sotin. to season has five new fuctions, three of which are as by Verdi. Domingo sings title role in Stiffelio (Oct 21),

ed by Giancario Del Monaco conducted by Levine. This flowed by Dvorak's Rusalka 11), an Otto Schenk luction conducted by John), with Gabriela Benackova e title role. Pavarotti returns 'erdi's ! Lombardi (Dec 2). cast that also includes Aprile and Samuel Ramey. ony Rolfe-Johnson is xenbach in Colin Graham's

staging of Death in Venice (Feb. 7), conducted by David Atherton. The final new production is Otello (March 21), conducted by Valery Gergiev and staged by Elijah Moshinsky, with Domingo, Carol Vaness and Sergei Leiferkus.

The first new production of

New York City Opera's current season is Tippett's The Midsummer Marriage (Sep 9), followed by a trio of new operas in early October - Ezra Laderman's Marilyn, Lukás Foss's Griffelkin and Hugo Weisgall's Esther. The New York Philharmonic's season opens on Sep 22 with a Beethoven and Shostakovich programme conducted by Kurt Masur, featuring violin soloist itzhak Periman. Carnegie Hall opens the following evening with a Philadelphia Orchestra concert conducted by Wolfgang

EXHIBITIONS GUIDE

BALTIMORE Museum of Art Classical Taste in America 1800-1840: 250 paintings, sculpture, furniture and other objects showing the attraction which early Americans felt to the classical style. Ends Sep 28. Closed Mon and Tues

BARI Castello Svevo Corado Giaquinto: the late-baroque artist, who provided enormous altar-paintings for numerous Roman churches and was feted in European courts

during his life-time, has since been unfairly neglected. This fine show, with works from European and American collections, attempts to set the record straight. Ends Sep

CHICAGO Art Institute The Art of Holy Russia: 120 objects from the Russian State Museum in St Petersburg, dating from the 11th to 18th centuries. They include panel paintings, textiles, metal liturgical objects, miniature icons, manuscripts in medievel Slavonic script and objects carved from wood, ivory and stone. Ends Sep DAVOS

Kirchner-Museum The Dance: a collection of drawings by the expressionist artist Ernst Ludwig Kirchner, inspired by his friendship with two great early 20th century dancers. Mary Wigman and Gret Palucca. Ends Oct 10

Musée des Beaux-Arts The Golden Age of Dutch and Flemish Paintings: a selection from Catherine the Great's collections in the St Petersburg Hermitage. Ends Sep 27. Closed Tues DORTMUND Museum für Kunst China's Golden Age: 120 art objects from the Tang Dynasty (618-907 AD), including

richly-ornamented golden vesse porcelain, silks, brocade and figurines. Ends Nov 21, Daily EDINEUFICH National Gallery of Scotland Holbein and the Court of Henry VIII: 28 portrait drawings and five miniatures from the unrivalled roy collection at Windsor. Ends Sep

26. Daily Scottish National Gallery of Modern Art Russian Painting of the Avant-Garde: Kandinsky, Malevich, Larionov, Popova, Goncharova and others who flourished before the Stalinist suppression of innovation and experiment. Ends Sep 5. Daily Royal Scottish Academy The Line of Tradition: 300 watercolours, drawings and prints by Scottish Ends Sep 12. Daily Scottish National Portrait Gallery Phoebe Anna Traquair (1852-1936):

paintings, embroideries and illuminated manuscripts. Ends Nov City Art Centre The Waking Dream: only British showing of the Gliman Paper Company collection of photographs, charting the development of photography through its first century from 1839

to 1939. Ends Oct 2. Daily

ESS/EM Folkwang-Museum Morosov and Shchukin, Russian Collectors: 120 works from the St Petersburg Hermitage and Moscow Pushkin Museums, representing the remarkable collection of French built up by two Russian entrepreneurs in the early years of this century. Ends Oct 31. Closed Mon FLORENCE

Casa Buonarroti Michelangelo - 18 masterojeces: these are the top drawings out of the 200-strong collection owned by the Buonarroti Foundation. All are of the highest quality, and all are signed by the artist. Ends Oct 30

CHI GERMAN CHIEF, PE DE OTE (London) 011-672-1200. G-4KB HYPERFEED."

Galleria del Costume di Palezzo Pitti Fashion at the Court of the Medicis: Florence's youngest museum celebrates its tenth anniversary with the results of a remarkable restoration job on the costumes worn by Cosimo. Eleonora and Don Garzia de'Medici mid-16th century. Ends Dec 31 LONDON

Hayward Gallery Aratjara: the most comprehensive exhibition of Aboriginal art ever seen in Europa. Ends Oct 10. Daily Royal Academy of Arts Pissarro's Series Paintings, Ends Oct 10. Dally Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Turner's Painting Techniques. Ends Sep 12. Edward Burne-Jones: sketches from the museum's collection, underlining the 19th century English artist's skill as a draughtsman. Ends Nov 7. Daily Villa Favorita Lost Empire of the

Siik Road: a remarkable collection of 87 well-preserved pieces of Buddhist art from the 10th to 13th centuries, which lay buried under the sands of the Ghobi Desert, until they were uncovered during archaeological research in 1908. Ends Oct 31. Also 19th and 20th century paintings and watercolours from the Thyssen-Bornemisza Collection. Ends Oct 31. Daily except Mon

Fondation Pierre Gianadda Degas: his entire work as a sculptor, consisting of 74 bronzes of horses, dancers and nudes, surrounded

drawings relating to them. Ends Nov 21. Daily MOSCOW

Pushkin Museum Matisee: an abridged version of the recent shows in New York and Paris, but specially augmented by 130 paintings from Russian collections. Ends Sep 15, after which the show will move to the St Petersburg Hermitage. NEW YORK

Guggenheim Museum Paul Kiee: 60 works from the museum's own collection, Ends Sep 19. Rebecca Hom: first full-scale retrospective of the German artist. Ends Oct 1. The main museum is closed on Thurs, the SoHo site on Tues Metropolitan Museum of Art Nudes: 30 works by Schiele, Klimt, Chagail, Picasso and Munch. Ends Oct. Abstract Expressionism: works on paper from the period 1938-67 by American artists. Ends Sep 12. Closed Mon Museum of Modern Art Latin

American Artists of the 20th century. Ends Sep 7. Chuck Close (b1940): 15 large-scale screen prints. Ends Sep 28. Closed Wed PARMA

Magnani Rocca Foundation The Barilla Collection of Modern Art: paintings and sculptures by Picasso, Dubuffet, De Chirico, Magritte, Bacon, Sutherland and many other 20th century artists. Ends Nov 28. Closed Mon

SPEYER Historisches Museum der Platz Three Millenia of Egyptian Culture: masterworks of Egyptian-oriental art from the Vienna Kunsthistorisches Museum, Ends

VIENNA

Kunsthalle The Language of Art a survey of the relationship between text and picture in 20th century art, from the Cubists to the present day. The exhibition features work by Picasso, Braque, Magritte, Klee, Jasper Johns, Warhol and the Arts Povera movement - plus a large group of contemporary artists including Jean-Michel Basquiat, lan Hamilton Finlay and Christopher Wool, Ends Oct 17. Closed Tues WASHINGTON

Walters Art Gallery Art from Korea: rarely-exhibited ceramics and other Korean objects dating from the third to the 19th centuries. Ends Sep 12. Kabuki Prints by Hirosada: designs by the 19th century printmaker, capturing climactic moments of lavourite theatre plays. Ends Sep 26. Artists of Ecouen: 25 drawings recording daily life In late 19th century France, by a group of artists eclipsed by impressionism and the modern movement. Ends Feb 6. Closed

Hirshhorn Museum Jean Dubuffet: 97 paintings, sculptures and assemblages by the unconventional 20th century French artist. Ends Sep 12. Daily

ZURICH Graphische Sammlung der ETH Swiss graphic art from Alberto Giacometti to Urs Lüthi: an exhibition covering the past 50 years, with work by eleven artists who have won an international reputation. Ends Sep 24. Closed Sat and Sun

Two members of its board were arrested earlier this year after allegedly receiving kickbacks for granting loans. They have been bailed pending trial. Soon afterwards, Mr Carlo Zini, managing director, stepped down, after being told by magistrates that he was under investigation on similar allegations.

The inquiries - against the background of Italy's 18-month political corruption scandal caused a tremor along the Gothic corridors of Monte dei Paschi, Located in a fortresslike palazzo and founded in 1472, it is the second biggest bank in Italy after Banca di Roma in terms of branches.

Monte dei Paschi's image and the careers of a few individuals. Concerns prompted by Italy's corruption scandals will also have an impact on a longer-running debate in Sienna: whether to break the shackles which have bound the bank and city council for centuries.

There is no suggestion that in corruption. But investigations across Italy into links between politicians and bustness could tip the balance in a debate about whether Monte dei Paschi has to change to compete in Italy's increasingly aggressive banking sector.

With the Italian government keen to encourage competition. Monte dei Peschi's structure, which dates from its origins as Sienna's municipal pawnshop. was looking outdated even before Italy's corruption scan-

dals erupted.
Controlled by the city council via a charitable foundation, the bank has neither the free dom of a quoted company to raise capital nor the discipline imposed by a wider share-holder base. The bank's board consists of just four members of the council and four bank representatives.

Adding to the pressure for a rethink on Monte dei Paschi's future has been a steep fall in its profits. The recession has forced the bank, like many others in Italy, to increase provisions against bad debt. Last year net earnings fell to just L8bn (£3.3m) from L238bn in

Monte dei Paschi is now the

Showdown at the palazzo

Haig Simonian on rifts at the world's oldest bank



only big bank left in Italy tied so closely to its historical roots. In January, Turin's Istituto San Paolo, which also started as a pawnshop, was floated on the stock market, allowing it to tap shareholders for money and reducing suspicions that it is susceptible to

political influence. Transforming Monte dei Paschi into a limited company is the battle cry for younger managers and some in the banking world outside Sienna calling for radical changes at the bank. Such a move would bring tax breaks under legislation meant to encourage banks to move from charitable status and eventually to flotation.

"Executives know the bank must turn into a limited company if it is to remain competitive with other big banks, such as San Paolo, which have already made the change," says one manager, "But they can't force the issue. Public opinion in Sienna could block any changes that might compromise local control."

Resistance to change has come from the city council, dominated by the former Communist party, which is reluc-

the sun. Sinar Mas, as one of

the leading business groups

in Indonesia, appreciates

the gifts of nature and is

committed to responsible

development and the pres-

'Golden Rays.'

diversity of ou

source of strength and

reflecting the

ervation of the environment in order to improve the

The Group's agro-business activities help pro-

The Sinar Mas Group has roots in the vegetable

vide the most fundamental of all human needs - the

quality of life for the benefit of mankind.

oll business, having begun operations

in this area more than 40 years ago.

Today, the Sinar Mas Group has

modern refineries producing edible

oils and fats required by domestic

The Group also owns and

develops over 160,000 hectares

Through its vertically in-

tegrated structure, the Group

market shares in agro-industry

while adhering strictly to the national

standards of health, safety and environ-

human need for housing and shelter.

SHELTER

Sinar Mas Group contributes to the essential

Sinar Mas ensures its diverse real estate projects are

developed in harmony with the surrounding

environment. The Group's interests include com-

mercial real estate and office buildings, residential

subdivisions and condominiums, shopping centers,

industrial estates and golf course developments.

From urban housing estates to luxury hotels, the

As one of the leading developers in Indonesia,

has achieved significant

mental protection.

of plantations devoted

to oil palm, tea,

coconut, cocoa and #

The group comprises six partly overlapping, banks. The parent company has 669

tant to relinquish local govern-

ment control and sees little

necessity for reform of the

Mr Pierluigi Piccini, Sienna's

the anti-reformers, says:

mayor and the most prominent

"Not all successful banks are

limited companies. There are plenty of financial institutions

in the UK, France and Ger-

many which do very well under municipal control."

He believes there is a close "moral bond" between the city

and the bank, which has,

under its charitable status, to

offer half its profits to the com-

munity. "We have traditionally

refused to take the full propor-

tion of profits we are entitled

to, prefering to leave the remainder to the bank to help

finance its growth," says Mr

The Siennese have tradition-

ally defended the bond

between city and the bank as

tenaciously as they once fought to remain independent

of Florence. In a city famous

for its fierce internal rivalry,

which finds expression in the

twice-yearly Pallo horse race.

Trying, discreetly, to steer a

EDUCATION

paper to over 40 countries, and with its dominant share

of the printing and writing paper market in Indone-

vide a model for Indonesia and the world in waste

management, including their exemplary waste water

treatment facilities. The Group also makes extensive

use of recyclable paper products and bagasse in its

industry adhere to strict environmental policies, in-

cluding extensive reforestation projects, and maxi-

The Group's activities in the pulp and paper

QUALITY OF LIFE

Sinar Mas works to enhance the

quality of life with its wide range of

financial services. Sinar Mas operates

banks in Indonesia, Bank

internasional In-

donesia (BII), which actively

supports programs such as the

World Wildlife Fund's en-

deavor to save the Javanese

Rhinocerous, Through

its consumer marketing program, BII

contributes to this project for every

new credit card issued.

Sinar Mas has been selected to participate in the

government sponsored program "Care '92", de-

signed to educate the public on environmental issues,

including pollution control and recycling. The Group's

activities in this program include providing loans to

small businesses for waste management projects, and

found in nature, the Sinar Mas Group is committed

to responsible development through its environ-

Just as the rays of the sun give life to nature, so

Sinar Mas Group

Jakarta 10350, PO BOX 4295 JKT 10001, In

nis Bill, 12th floor, Jl. M.H. Thamsto bay, 22.

With the source of its business and inspiration

the purchase of materials for recycling purposes.

mentally sound policies and activities.

Sinar Mas shares the benefits of its success.

one of the most profitable local private

Its subsidiaries, Tjiwi Kimia and Indah Kiat pro-

sia, Sinar Mas helps make learning possible.

pulping operations.

mum use of forest plantations.

As one of the leading exporters of pulp and quality

the bank is a symbol of unity.

Piccini.

branches, while Banca Toscana, the biggest subsidiary has a 259-branch network, much of it in the same Tuscan towns as its parent. Last year, regional duplication increased when the bank bought a municipally-controlled_savings bank in Prato, also in Tuscany, In northern Italy, Credito Commerciale and Credito Lombardo, the group's two Milanhased hanks, also overlap,

reformers and opponents of change are Mr Vincenzo Penwho took over last month as managing director, and Mr Giovanni Grottanelli de

Santi, Monte dei Paschi's chairman, appointed last December.

They are keen to take advan-

tage of opportunities for regional and international

expansion - Bank of Italy controls on territorial expansion

by banks were relaxed in 1990.

But Mr Grottanelli de Santi and Mr Pennarola are reluc-

tant to sacrifice the links with

the city which, they acknowledge, have ensured the bank's

stability since its foundation. They deny reports that they are determined to take the

bank public, stressing instead that Monte dei Peschi must

streamline its cumbersome

"Monte dei Paschi is a very unusual bank," says Mr Penna rola. "We have to decide on a future structure and are now preparing various options to put to the board within the next two months." But with local passions running high, Mr Grottanelli de Santi says steps on restructuring would not necessarily foreshadow the bank becoming a limited com-pany. Conscious of the sensitivity of the issue, he goes out of his way to avoid a public confrontation with the city council. "We welcome the city's participation on our board," he says. "Find me another bank where the managing director or chairman are stopped in the street by old schoolfriends, or even strangers, and buttonholed about yesterday's decisions."

But Mr Grottanelli de Santi's carefully-chosen words cannot hide the debate over the bank's future. This year's corruption scandals have not helped the bank's image over the short term. If public opinion shifts in favour of creating greater barriers between politicians and business, it will test the relationship between the Sienna council and reformers such as Mr Grottanelli de Santi and Mr

Commuters in the south-east face steep fare increases, part of the inevitable fattening up process before British Rail is privatised

On the bandwagon

sumer, the pattern looks familiar. With the government intent on privatising British Rail, leaked BR documents suggest passengers in the south-east lines face fare rises of up to 16

The move is seen as the inevitable fattening up process before BR is auctioned off. The expectation is of further, stinglng fare increas

But the widely held perception that, whatever happens to the quality of service, privati-sation spells bigger bills, can be wide of the mark.

The debate rages over excessive profits and executive rewards in privatised utilities. the first of which, BT, has been free of the state for nearly 10 years. But the evidence suggests consumers have few grounds to complain on prices.

Whether or not privatisation is responsible, businesses like BT, British Gas and, for some customers, the regional electricity companies can boast large real price reductions. Low inflation, rising competi-tion and tough regulatory controls have played a part.

The price performances of ome privatised businesses may look unduly flattering, since they are being compared with large price rises in the run-up to flotation.

It is impossible to say with certainty what prices would have beenif suppliers had remained in state ownership, though some observers believe they would have offered a better deal to customers.

The post-privatisation picture is not all roses for the consumer. The most obvious bad tidings came from the water industry, where demands for improved quality have imposed high cost burdens, likely to total £45bn.

Privatisation need not mean price rises, says Michael Cassell

which are being passed to con- earlier price trends had Many electricity users, too, have faced significant price rises, although domestic bills

this year have been reduced. But UK householders' be hills still compare well with others in Europe. Of the privatised utilities,

British Gas seems best at trumpet-blowing, some claim unjustifiably. It claims prices to its 18m domestic consu have fallen by 20 per cent in real terms since privatisation in 1986, making them the cheapest in Europe. Even with the planned 17.5 per cent valne-added tax rate applied, they will be at the

lower end of The widely held European perception is that market. For industrial privatisation gas users in spells bigger general, the record is even bills better - with

Not everyone, however, is prepared to hand a bouquet to British Gas. Mr George Yar-row, of the Regulatory Policy earch Centre, says the real fall in domestic gas prices is almost entirely due to lower prices on arrival on the beach-

averaging 25 per cent since

real reductions

He stresses electricity prices, which rose sharply prior to privatisation in 1990, have not fallen in real terms since the sell-off. He suggests that average electricity prices were up to 25 per cent higher for domestic customers by 1992 and 19 per cent higher for industrial consumers than

But Prof Stephen Littlechild, electricity industry regulator. says the arrival of competition in 1990 led to big price falls for industrial users; despite rises since then many prices remain lower in real terms than before

privatisation. Big customers on interruptible gas contracts - they pay less and run the risk of having supplies temporarily cut off benefit from some of the lowest comparable prices in Europe. Yet some, like ICI, British Steel and Blue Circle Industries are fighting to scale down price rises. Since privatisation, they

have had to buy supplies daily on the spot whereas before they could strike their own deals with the Electricity Gen-

erating Board. For BT, which in 1984 led the privatisation bandwagon, criti-cism of some high call charges has obscured the overall real fall in bills.

But then the Post Office, too, has done well since it split eway from BT in 1984.Postal tariffs will rise in November after a two year freeze, but average letter prices have fallen by 10 per cent in real terms in the past decade.

BT rates for local calls - covering a wider range than in many other countries - remain among the most costly in Europe and North America. But international call charges - subject to increasing compethey would have been if tition from Mercury - are

lantic call costs are down more than 40 per cent since the BT

Oftel, the industry watchdog which regulates BT by monitoring a basket of its services, says overall prices have fallen in real terms by at least 25 per

cent since privatisation. Domestic subscribers with "medium-sized" bilis - an average £44 a quarter - have seen a 5 per cent average reduction since 1989. Significantly higher line rental charges - up by about 40 per cent since 1988 have partially offset lower call

The water and sewerage industry has had no good news on prices since privatisation in 1989. But it claims to have to correct decades of under-investment. Average household water bills have risen by almost 37 per cent more than the RPI in the past five

Consumer surveys by Anglian Water and Welsh Water have found that consumers will accept still higher bills to help pay for water improvement programmes.

If the privatised business have a mixed record on prices. their future performance seems as likely to depend on the disciplines imposed by their respective regulators as on the varying degrees of marketplace competition they

As for passengers of a priva-tised railway system, the expectation is that to help revive a loss-making industry in long-term decline, prices will have to rise before and after privatisation

The government says privatisation will offer more and better trains at attractive fores. In the grand tradition of railway engers, they will have to

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Simpler is better for setting out tax rules

From Prof D R Myddelton. Sir, Malcolm Bacchus is right to complain at the government's miserable failure to deal with the enormous and unnecessary burdens of the tax and accounting regulations ("Companies still weighed down by burden of tax regula-

tions", August 24). For example, why does the Companies Act need to take more than 50 pages on "Form and Content of Company Accounts"? Why not just have

a single brief section? It could say: "The accounts of compa-nies, and of groups of companies where appropriate, should give a true and fair view of the state of affairs of the company or group as at the end of the financial year, and of the profit or loss for the financial year." If one wanted to elaborate

there could be a second sentence spelling out what is cur-rently implied: "It would nor-mally be expected that a set of accounts would need to comply

with current accounting stan-dards in order to give a true and fair view, though this might not be so in exceptional circumstance That would not only save much needless verbiage, it

would eliminate the existing contradictions between company law and accounting standards, for example with respect to stock valuation, development costs, depreciation, research, deferred taxation and

As for tax, hundreds, proba-bly thousands, of the most intelligent people in the country waste their time trying to interpret tax rules. May I ask how many civil servants are employed full-time on trying to find ways to simplify the rules?

D R Myddelton. Cranfield School of Manage-

Cranfield Institute of Technol-

ogy, Cranfield,

Bedford MK43 0AL

Economists cannot price environment

From Dr Jörg Schimmel-Sir, Your leader writer's

recommendation that the environment should have a price tag on it in the same way that other goods have, and that environmental policy should be based on such a price, is highly questionable ("Valuing the environment", August

At the same time it sets the very same trap that Prof Law rence Summers, the World Bank's chief economist, walked into with his infamous leaked World Bank memo last year (see "Save planet earth from economists", February 10 1992). Prices do nothing but reflect both people's (marginal) will-ingness to pay and their ability

However, as ability to pay obviously depends on income, willingness to pay depends on the prevailing income distribu-To place environmental pol-

icy on such a footing provides a perfect justification for, say, South America to cut down its rainforests and Europe to export its waste and, thus, pollution, to Africa. It is perfectly efficient, isn't it? If that is what economics is

actually about, then economists had better renounce their claim to being responsi ble policy advisers.
I doubt whether you are really serious about these

implications. Dr Jörg Schimmelpfennig. Department of Economics, 49069 Osnabrück,

Local authority contracts threatened by transfer rule

From Str Brian Hill.

Sir, One interpretation of the recent employment appeal tribunal decision in Wren versus Eastbourne Borough Council could be that the contracting out of local authority services will be caught by the Transfer of Undertakings (Protection of Employment) regulations.

If the local authority work is

adged to be a transfer of an undertaking under the regulations, council employees who had previously carried out the work are automatically transferred to the contractor on their existing terms and conditions of service.

Such an interpretation would have profound implications for contractors in areas such as building maintenance, and is, in my confederation's view, absolutely wrong. The tribunal's decision in the

Eastbourne case simply emphasises the need to take into account the various European cases on the Acquired Rights Directive, from which the TUPE regulations are derived. Whether a transaction constitutes a transfer must be determined in accordance with the circumstances of each case. Both of these principles are already part of the legal frame-

work of the TUPE regulations. Even if, the industrial tribunal currently reviewing the Eastbourne case finds that there was a transfer, such a decision is unlikely to mean that contracts for building maintenance work are any more likely to be caught by the regulations. This is because there are two important points of distinction between this case and the circumstances that apply to most building maintenance contracts: the contractor in the Eastbourne case employed over half the council's staff and took over its nises and vehicles.

A transfer of employees and a transfer of assets are two of the most important factors pointing towards a transfer within the meaning of both the TUPE regulations and the Acquired Rights Directive. So it would not be surprising if the industrial tribunal concluded that a transfer had occurred.

In any event, this case does not remove the serious concerns felt within the construction industry about the effect of the TUPE regulations on the government's compaisory competitive tendering policy. As things stand, far from protecting employment the TUPE reg-ulations are having the effect of inhibiting contractors from taking on public sector work. This, in turn, is resulting in higher jobless figures in the

higher jodiess rigures in the construction industry. What is needed is the amend-ment of the European Acquired Rights Directive to make it clear that these regulations do not apply either to the contracting out of work by councils or to the taking over of contracts from insolvent

My confederation strongly welcomes government support for such an amendment and wishes to see early action by the European Commission to achieve this objective. Sir Brian Hill.

Building Employers Confedera-82 New Cavendish Street, London WLM 8AD

UK should set example on equality

From Mr Onesimo Alvarez-

Sir, I wonder how many women the FT has on its editorial team? Not many, judging by the leader "Equal pay for women" (August 25). In censuring the Equal Opportunities Commission's move to take the government to the European authorities, the FT is caught

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with its equality pants down.

It is absurd to suggest that women should be satisfied with their lot just because they have found it easier than men to get jobs. They have had to accept more precarious. part-time and less remunerative jobs (even for the same work done). Should they be grateful for the favour?

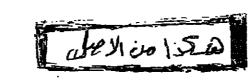
it does not lessen the farce that we have narrowed the wage differentials to 80 per cent. We are still a long way from equality, regardless of what other countries are doing. It is true that other countries

need to do much more, but let us teach by example.
As for Mr David Hunt, the new employment secretary, he

need not fear. European court actions unfortunately take a long time. All Mr Hunt need do is eliminate the inequalities in order to stop any action in its tracks. The ball is in his court. While we continue to consider women as a minority -

even though they make up over 50 per cent of the popula-tion in the UK – their unjustifiable treatment can be expected to persist.
Onesimo Alvarez-Moro,
O'Donnell 6, A-9-1

28009 Madrid.



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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Friday August 27 1993

Bundesbank stays tough

that did not happen was as revealing as the dog that did not bark. The Bundesbank is trying to tell the world something. Others should listen carefully and respond sensibly.

It sometimes seems a pity that analysis of financial markets is dominated by les Anglo-Soxons. They are right when recognising the limits on the ability of govern-ments to override markets. But it seems almost impossible for non-German analysts or even non-Ger man politicians to understand what the Bundesbank is about.

Surely, they have been saying, the Bundesbank would not persist with its tired monetarism, especially when monetary growth is a mere one per cent above its target range. Would it really impose a savage recession in order to push inflation from 4 to below 2 per cent, when higher administered prices explain much of the inflation? Would the Germans tolerate such severity when they are struggling with unification? And what about Mr Kohl, slayer of Bundesbank inhibitions on German monetary union, would he allow the ERM to be put to the sword?

The answer to all these questions, we now know, is yes. The Bundesbank does believe in monetary targeting. Enough of the Germans who matter will not merely put up with its policy, but support it, And as for Mr Kohl, he neither can nor will do anything to halt it, Interest rates are a decision for the Bundesbank, said Mr Kohl yesterday during his summit meeting with the French prime minister, Edouard Balladur. This did not prevent the German chancellor from reiterating his desire to see Europe's economic and monetary union implemented on schedule, with the familiar proviso that participants should first meet the Maastricht Treaty criteria. Since this is precisely what the Bundesbank has made difficult to achieve, Mr Kohl might be accused of wanting to have his cake and est it.

D-Mark appreciation Mr Hans Tietmeyer, the Bundesank's president designate, is another open to the same accusation. He wants to be free of the costs but still enjoy the benefits of D-Mark would be undesirable. Since yesterday's decision not to cut the discount rate also rules out further reductions in market rates, which are close to their floor, he is telling other European countries not to lower their rates of interest more than modestly. Presumably he is feeling the pressure from worried German export-

In other ways, Mr Tietmeyer is a liberated man. He is freed from worry about his promotion, while the institution he is about to head is freed from day-to-day worries about the ERM. Even though the trend in German short term interest rates is downwards, that decline is now likely to be slow and the disinflationary pressure

Lower rates

One reason for this is the Bundesbank's determination to restore the D-Mark to the ranks of the world's low inflation currencies. In addition, it needs to sterilise the exchange market intervention that accompanied the ERM crisis. Moreover, to have failed to lower rates in July, when that might have saved the ERM, only to do so now would pour petrol on the flames of resentment.

Whether the Bundesbank is right to remain so hawkish though an intellectually important question, is beside the point in practical terms. What is not beside the point is whether other Euro pean countries, notably France, are right to go on shadowing the D-Mark when the exchange rate link is broken. What is the point of having flexibility if the authoritles will not exploit it?

France is worried about the

effects on European monetary co-operation of uncoupling its interest rates from those in Germany. It is worried too about its own disinflationary credibility. Both concerns are overdone. It was not French, but German policy that undermined the ERM. It is not French, but German insouciance that threatens the achieve ment of Emu. It is not the French but the German economy that suffers from stubborn inflationary pressures. France and the other European countries afflicted by unnecessary recessions should exploit their freedom of manoeuthe ERM, by arguing that a sub-stantial appreciation of the will be forced to do so later.

Big trouble at Volkswagen

police officers swooping upon the premises of Volkswagen and the nomes of VW executives, they must be reflecting that nothing the German car-maker has done this year has been in character. The decision to bring in as chairman the hard-driving Austrian, Mr Ferdinand Piech, with a remit to jolt VW from its losses and lethargy; the recruitment from General Motors of the flamboyant Basque, Mr José Ignacio Lopez de Arriortúa, as VW's production director, and finally, the mix of scorn, bluster and diplo-macy with which VW responded to charges that Mr López's value to his new employer had been augmented by an unspecified quantity of information and material stolen from GM. It is as if a portly mid-

taken to designer sports-wear and dark glasses. Such changes in regime are always dangerous; indeed they sometimes lead to heart attacks. That does not mean they can be avoided; it means they must be properly planned and carefully

dle-aged man, after a lifetime of grey suits and regular habits, had

supervised. The case for ambitious change at VW was and is beyond argument. Its costs are too high and its speed of reaction too slow. When those weaknesses were tested by a recession in the company's domes tic market, the result was a collapse in profits. Mr Piech seemed like the man to meet the chal-lenge. He has vision and a track record in managing change.

Serious mistakes

It is time, however, for him to acknowledge that he has made serious mistakes. Whatever the basis of the allegations against Mr López, he was unwise to place such heavy reliance upon the tal-ents of a single individual to effect a cultural transformation in the way VW makes cars and deals with suppliers. Mr López may be a tar, or a "change agent" in the susiness school jargon, but thange on this scale requires conent, which cannot be produced mly by force. It also goes without aying that in demanding painful change, the proponents have to be impeachable in terms of their wn integrity. If not, they will be

AS GERMANS yesterday exposed, quite possibly by those witnessed the astonishing sight of whose interests are threatened. Mr Piech's other big error has been the way he has dealt with GM's allegations. The right thing for companies to do in these circomstances is to remain calm and to announce that such grave charges will be fully investigated. Instead. Mr Piech responded first with counter-allegation (that GM had planted documents on VW), with intemperate words and finally with an attempt to mend fences, using the good offices of Mr Gimter Rexrodt, the economics minister. VW's public relations, veering wildly between surly silence and noisy expostulation, has been a disaster.

Deep gloom

Mr Rexrodt himself cannot survey the affair with anything but the deepest gloom. His mediation has had no effect and should not have been attempted in the first place. His motive, to prevent fur-ther damage to the image of Ger-man industry, and especially to VW, which is in part a stateowned company, is understandable, but it is not the job of government ministers to intervene when a serious criminal investigation is in prospect. The modernisa-tion of German industry, which must include increased transpar-ency in the way that companies are governed, requires that minis-ters play a more restrained role. Probably the most encouraging aspect of yesterday's events is that they show the state prosecution system, initially sluggish in its response to GM's allegations, to be somewhat zestful in its determination to get to the bottom of the Lopez affair. It is now in the inter-ests of VW, German industry and

Germany itself that this process be completed as speedily and effectively as possible. It cannot yet be predicted what that means for Mr López or for Mr Piech; the VW board will have to judge where the best interest of the shareholders lies. For the comthe shareholders lies. For the com-pany's suppliers, whose exces-sively high costs were to be the target of the Piech-Lopez ouslaught, it is a time to marvel at the chaos and to remember that when this particular battle is over, someone from Wolfsburg will back, with a demand that they cut their prices, or else.

s the Bosnian parliament meets in Sara-jevo's battle-scarred Holiday Inn hotel today to debate the latest peace plan drawn up in Geneva, it does so to the sound of an international

If western negotiators are to be believed, today's meeting represents the last chance for the Bosnian government to agree a settlement either it must accept the plan to divide Bosnia into three ethnic mini-states, before returning to the negotiating table in Geneva on Monday or, inevitably, it must face

Such an ultimatum is unlikely to have much effect, however, Although the Serbs and Croats seem likely to accept the deal when their own parliaments meet today, the Bosnia government seems set to demand revisions for as long as it believes it can force a better deal either by stepping up the threat of western military intervention or by continuing the onslaught in central

An attempt by the country's weak, multi-ethnic government to stall would be understandable. Both alternatives on offer - agreement or further fighting - are undesirable. If the Moslem-dominated leadership says "yes" to the plan, they will be accepting a "solution" that not only legitimises the dismemberment of Bosnia and with it their military defeat, but which also seems unworkable.

The new map of Bosnia would give the Serbs a geographically contiguous republic covering 54 per cent of Bosnia, and borders with Serbia and Croatia; the Croats would have 17 per cent of the territory, divided into two parts, one of which touches Croatia; the Moslems, who formed 43 per cent of the population before the outbreak of war, would be scattered between four disjointed chunks of land, wedged between two hostile states. "Bosnia" would be little more than a name on a map.

Vital questions would remain: where would ethnically mixed Bosnians live; who would govern the capital Sarajevo and the southern town of Mostar after the proposed two years of United Nations and European Community administration; how could the Moslems be guaranteed access to economic supply lines via the Adriatic Sea and River Sava in the north?

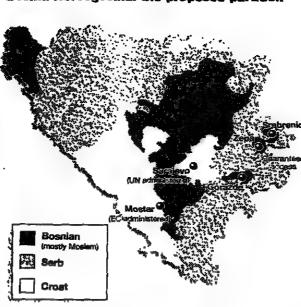
A senior American official in Washington commented: "That anyone could even think this map would be workable shows how desperate the situation is. This is really the end of the Moslems. And vet, as the international

mediators, Lord Owen for the EC, and Thorvald Stoltenberg for the UN, have repeatedly stressed, if the Moslems reject the plan today, they

Deadly delays as winter approaches

Is this the last chance for Bosnia's warring factions to reach an agreement, ask Gillian Tett and Laura Silber

Bosnia-Hercegovina: the proposed partition





A Bosnian woman at the graves of two of her grandchildren in Sarejevo. The children were killed by Serb artillery

face intensified aggression.

Mr Radovan Karadzic, the Bosnian Serb leader, has warned that a rejection by the Moslems would trigger an all-out assault by the Serb armed forces, who now control 70 per cent of Bosnia in an arc of territory in the north and east almost all their military gains.

The Bosnian Croats, smarting from a series of recent Moslem victories in central Bosnia, seem even more ready to continue the fight. Some Moslem commanders believe that they could sustain further Croat assaults, and want to expand the land they have wrested back in the past four months.

But if the two options facing the Moslems seem to provide enough motivation for them to stall, either potential outcome of today's meeting threatens fresh diplomatic embarrassment for the west. The US and its European allies are still far from ready to police a partition. They remain even more divided about what course to pursue if the Moslems reject the agreement.

Earlier this week. Lord Owen admitted that without Nato backing, and a peacekeeping force larger

than any seen in the United Nation's history, the agreement stood little chance of being signed let alone implemented. How many peacekeeping troops would be needed is unclear. Mr Stoltenberg has suggested 40,000, in addition to the 10,000 on the ground in Bosnia. Most military experts believe this is an optimistic assessment.

However, given the UN's current financial crisis, and indecision at Nato's highest levels, finding even 40,000 troops would require considerable diplomatic effort. UN secretary-general, Mr Boutros Boutros Ghali, today indicated that it was unlikely that the UN could provide such a force. The British and French governments insist that the political will in Europe to deploy peacekeeping troops is still there. But, symptomatic of the footdragging, they say that without a settlement, they cannot give assurances about how many troops might be deployed, or when,

in practice, though, the main stumbling block to deployment is a lack of firm commitment from the US. America's unwillingnes to

ing for air strikes that might endanger the European ground troops aiready deployed - has rankled European leaders and fuelled transatlantic tensions. Most European allies insist that

the bulk of a peacekeeping force must come, at least initially, from the US. But though US administration officials say their earlier com-mitment to assist in implementing a peace agreement stands, they have avoided any specific discussion of the size or type of involvement.

But if a peace agreement poses a policing quandary for the west, the possibility that the Moslems will reject the plan poses almost insupperable uncertainties. After a year of stop-start negotiations, many western diplomats view the prospect of more peace talks in Geneva with dismay

One British foreign official said this week: "We cannot start the negotiations from scratch again. If Lord Owen asked for more negotiations then we would support him, but we can't have the negotiations all over again."

One factor influencing diplomats

mediators are increasingly acting out on a limb - a view that grew this week after reports that they had not consulted European governments before suggesting that Mos-tar should be run by the EC.

But if the latest peace plan crumbles, the alternatives for the west-ern allies – that they should either withdraw their humanitarian efforts from Bosnia completely or intervene with a large-scale military force to make the Serbs relinquish land – remain, European diplomats say, almost unthinkable.

The US has, in the past, embraced the idea of tougher action against the Serbs. However, calls for air strikes earlier this year were greeted with deep reluctance in Europe. So far, there is no sign that the British and French governments have changed their opposi-

A few lone voices can still be heard in Washington, demanding a lifting of the arms embargo against the Bosnians. But in spite of the deep moral distaste felt throughout Europe at the apparent abandonment of the Bosnian Moslems, the European allies have shown no sign of accepting either a lifting of the embargo, or a full-scale military

nd though German officials - and the press continue to grumble with frustration at British reservations about becoming embroiled in the conflict more deeply, there is no sign that they are prepared to do more than seek fresh humanitarian initiatives, and to bring their diplomatic influence to bear on a recalcitant Croatia. Some American officials have also turned their attention back to Croatia, suggesting that if the Croats continue their blockade of Mostar they could face economic sanctions.

In the UK, the government has mainly confined itself to trumpeting the extent of its aid commitment to Bosnia. Although it has set up a high-level military command to control its operations in the region military officials admit that its main task so far has been drawing up plans for emergency withdrawal of troops if the three warring factions turn their guns on the allies.

But as western dithering contin ues, winter is approaching. With aid agencies warning that the suffering this winter could be worse than anything so far in the 17-month conflict, the fear remains that if President Alija Izetbegovic, the Moslem leader, stalls, and fighting grows more ruthless, by next spring there may not be a Holiday Inn left standing in Sarajevo - or even a Bosnian leadership left to meet in it. Additional reporting by George Graham in Washington and John

US should go softly, softly on China



tough choice in imposing trade sanctions against China for apparent violations of international arms con-PERSONAL trols. Sanctions VIEW may have been an

effective weapon sgainst Chins in the past, but the emerging global realignments make their efficacy more questionable and the risks higher.

The US move - especially if followed by further sanctions directed against China's repressive internal regime - could drive the Chinese. and ultimately the members of the Commonwealth of Independent States, away from the west.

Until the breakup of the Soviet Union, China was regarded by the west as an important counter-weight to Soviet power, it is now thought to have little strategic importance. But the west should recognise that China is almost guaranteed to become an aconomic superpower and that it could easily grow to dominate and influence tha

Clinton has made a The CIS countries are currently China and the CIS, with China's doomed. They point to Taiwan and dramatically expanded trade with determining whether to seek long-term strategies of economic integration with the west or whether to turn inward. While the US is pouring billions of dollars into those countries in the hope of persuading them to integrate with the west and adopt democratic institu-tions, it is virtually ignoring the profound implications of the emerging Sino-CIS rapprochament.

The risk of the CIS turning away from the west is great despite its short-term dependence on aid.

When President Boris Yeltsin visited China late last year he signed 24 agreements that he said gave the Chinese a headstart over the west in developing links with Russia. With \$6bn in bilateral trade, China is the only country that is expanding trade with Russia. Official border trade has exploded from less than \$100m in 1987 to \$2bn in 1992. The actual trade volume is substantially higher, as indicated by the more than 3,000 arrests along the frontier for smuggling offences last

There is an undeniable degree of

President Bill economies of the CIS countries. economic complementarity between ernment such growth may be in 1989. Apart from the CIS it has consumer goods being traded for CIS raw materials and heavy industrial technology. What is more alarming is that many of the central Asian republics are adopting the 'Chinese model" in which autocratic rule coexists with economic liberalisation.

It is the success of this autocratic

If the CIS develops along the same lines as China both could become isolated from the west

regime in countries like China, Singapore, Taiwan and South Korea that makes extracting internal political concessions so difficult. even though the cost could be losing most favoured nation

Many Asian business leaders believe that economic growth has priority over political freedom and that without the strong hand of gov-

South Korea as examples of where patience with the authoritarian ways of government has led not only to a stronger economy but ultimately to increasing political free-dom. And they cite Russia as an example of where pushing political freedom too quickly can make it impossible to achieve economic

growth. This is a point not lost with the governing elites in Moscow.

Against this backdrop, any efforts by Mr Clinton's to force China to make internal reforms are likely to have at best a cosmetic impact on freedom. For example, the Chinese may agree that no prison labour is to be used on products exported to the US. But that does not stop them from diverting prison labour for domestic uses and/or exports to other nations.

In the meantime, China does not stand still. Where possible it is diversifying its export base away from the west. Despite a rapid expansion of total trade, China is no more dependent on the US and European Community than it was

former foe Japan and opened ties with another former foe. South Korea.

If, through protracted economic failure, the CIS develops along the same lines as China, and China continues to diversify its export base, then both could become gradually isolated from the west. At that point the US would no longer be so cavalier about its position towards China.

In order to hedge against this risk. US foreign policy must now draw China's economy further towards the west. If it is successful, then even if the CIS does go the way of China, it is still be likely to become integrated with the west. That would help preserve peace and

William A Mundell

The author is president of the WEFA Group, an international economic

OBSERVER

Hitting the she was forced to leave. Behind the confrontation lies not only the fact that the society target considers itself far more purist than The Sealed Knot, from which it ■ The stuffier fans of The Archers. broke away some years ago, but that living history is becoming aimost as big business for societies BBC Radio's rural scap opera, hate the realistic notes creeping into which mount such events in Britain their beloved programme. Only yesterday Baroness von Twickel wrote to The Times complaining as it already is in America.

programmes has nearly driven her Her letter was triggered by this week's high point - the re-enactment of a real English Civil war battle 350 years ago. The Sealed Knot, one of the main real-life societies which mounts "living history" re-stagings of battles,

sieges and occupations was even given a walk-on part. But, here again, The Archers is not a patch on reality. A fortnight ago, in what was supposedly a peaceful restaging of Royalist life in Stokesay castle in rural Shropshire, all hell broke loose when a female member of The Sealed Knot showed up (in male 17th century dress) at an event staged by the arch-rival English Civil War Society for English

that the sheer noise of recent

Heritage. Flanked by their imposing pikemen, officials of the society barred her way into the castle, even though she had paid her entrance fee. After much cursing and swearing, during which the audience realised only gradually that the confrontation was for real.

Devotion

No Toil for union leaders. And no overtime either. No, they said, time off in lieu would simply not do. A conference to discuss the future of the unions at a luxurious hotel in leafy Surrey at the

So the brothers and sisters, loath to sacrifice their leisure time, will be holding this important pow-wow at the Shepperton Moat Hotel mid-week. They have obviously taken a leaf from the book of a colleague of Observer who will only meet for breakfast the person with whom he has spent the night.

Out-classed

■ Three years ago, Observer predicted that the new, thrice-yearly Treasury Bulletin. the slim azure paperback of austere articles about monetary targeting and other economic arcana, would soon become a collector's item. Yesterday, the prediction came

true. The Treasury confessed that

'I notice the fathers weren't even

the latest volume was the last edition of a publication whose cover price has risen almost as fast as interest in its contents has dropped. When it comes to value for money, the Treasury has never been able to match the Bank of England quarterly bulletin. For £7.50 the Treasury offers 65

pages, whereas the Bank provides 120 pages for the same price. A bigger problem, though, was content. Treasury economists dreaded being told to write for the publication, and their turgid style soon produced such disappointing circulation figures that even HMSO. the publisher, became concerned. When circulation dropped below

500, compared with the quarterly bulletin's 5,500 copies, the Treasury had little choice but to admit yet another mistake and scrap the venture.

Share beat

Prize for the most improbable reason for share price movements this week goes to Smith New Court. It reported that shares on Thailand's notoriously volatile Stock Exchange jumped on Wednesday following news that Michael Jackson was unable to perform a scheduled concert. SNC's explanation was that disappointed fans flocked back to trading rooms "to drown their despair in a round of active punting".

Pool tax

As any white South African will tell you, having your own swimming pool is more trouble than it's worth. Pool-owners spend hours fiddling with chemical testing kits, "backwashing" the filter system, and dumping in alternate amounts of chlorine and acid.

Now, as though life were not tough enough already, an official of the Cosatu union, the ANC's closest ally, has said a future government would tax swimming pools. One caller to a Johannesburg radio station vesterday said it was the last straw; he had decided to

Given that a senior ANC official recently promised to confiscate half of every South African's assets as a sort of guilt tax for apartheid. it is probably not worth worrying about a pool tax. It will be far easier to fill in the wretched hole than persuade the exchange control authorities to let you send half your capital abroad

Well wisher

 Queens Moat Houses, the struggling hotels group, has just provided a splendid modern example of the ancient Roman principle of memento mori. At yesterday's annual meeting of Queens Moat, in the resplendent surroundings of the New Connaught Rooms, shareholders were distracted by the sight of a balloon, presumably left over from the debauches of the night before, bobbing against the ornamental

As the lately appointed managing director Andrew Coppel went through his address, the balloon descended gently to hover behind his head. The message printed on it? "Enjoy retirement."

Soft option

■ How many computer programmers does it take to change a lightbulb?

It can't be done. It's a hardware

Can unman Chris, PC 0007E (Landon; 671-623-429). 64KB HYPERFEED



FINANCIAL TIMES

Friday August 27 1993



Manufactures of Generating sets. aerospace ground power equipment & battery cased systems $\mathcal{F}_{i,j} = \mathcal{G}^{i,j}_{i,j}(\mathcal{F}_{i,j})$

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Dale Power Systems plc

Decision could delay French cuts, say economists | Babangida

Bundesbank leaves key interest rates unaltered

Ridding in Paris and James Blitz

THE German Bundesbank vesterday stood firmly by its monetary policy, refusing to cut its key interest rates in spite of expectations by the financial

in a renewed demonstration of its determination to take a long-term view of inflation prospects and the growth of money supply in the German economy, the central bank council declined to react to the latest slight easing in the inflation rate. It left its discount rate at 6.75 per cent, and the Lombard rate at 7.75 per cent.

Economists in Paris said the decision could delay reductions in French interest rates. But they said France would still pursue its policy of step by step cuts in borrowing costs.

There might be a tactical wait before the next move" said Mr Christopher Potts, economist at French rates will continue to head downwards and the momentum of falling money market rates should be maintained." Speculation about a cut in Ger-

man rates centred on a statement by Mr Hans Tietmeyer, the vice-president of the Bundesbank, that further appreciation of the D-Mark was "undesirable," and on a reduction in the inflation rates for three of the largest

However, the latest money supply figure, for the M3 broad measure of money supply, showed a growth rate of 7.5 per cent in July, well above the 6.5 per cent upper limit of the bank's target

range.
The decision not to move on interest rates came as a disappointment to dealers in financial markets and to the German government, which is looking for a steady reduction to help revive the German economy.

The French franc and other

steps down but army still rules in Nigeria

Leslie Crawford in Lagos

GENERAL Ibrahim Babangida yesterday stepped down as Nigeria's military ruler and installed a non-elected administration of civilians and soldiers, in which the military is expected to retain an upper hand.

it remains unclear, however, what role, if any, will be played by the man who seized power in 1985 and has since postponed the handover to civilian government on three occasions.

The composition of the administration was also uncertain. although civilians are expected to outnumber the soldiers.

In a prepared speech due to be broadcast last night, Gen Babangida said: "I believe the time has come for me, my service chiefs, deputy chief of defence staff and inspector-general of police to give way to a new set of leadership to propel our march towards lasting civilian democratic governance

at all levels of our country." He urged Nigerians to give the interim government a chance to finish the transition to civilian rule. The new administration's length of tenure has not been

Chief Ernest Shonekan, head of the outgoing administration which served under Gen Babangida, was named as Nigeria's head of government.

Gen Sani Abacha will keep his post of defence minister in addition to the new post of vice-president. Gen Abacha played a pivotal role in pressuring Gen Babangida to quit office. Several members of the outgo-

ing transitional council, appointed by Gen Babangida eight months ago to oversee the change to civilian rule, are expected to stay on in new jobs.

Gen Babangida leaves a bankrupt legacy. During his eight-year rule. Nigerlans saw their country drop out of the club of middle-income nations to join the impover-Ished. Per capita income fell from \$1,000 in 1980 to under \$300. The naira, once worth more than the dollar, is now worth only a few cents. Nigeria owes around \$34bn

over monetary policy. Yesterday's Bundesbank decision to leave official interest rates unchanged means that,

unlike its partners, it is using that freedom. France would still like lower German rates so that it can follow suit without jeopardising the franc, but Germany is now concentrating on purely domestic considerations. The rate of money supply growth, in particular, does not currently warrant

It has taken financial markets a long time to understand that the collapse of

the ERM also gave Germany freedom

If that was true yesterday, it will almost certainly be true in two weeks' bank was simply deferring any decision until its next meeting could end up disappointed. Indeed the bank's readiness yesterday to deny itself any additional room to manipulate money market rates lower suggests it is in no hurry at all. It may now he several weeks before a further cut can be

expected. That puts countries like France. Denmark and Belgium in a spot. The best practical solution might be concerted interest cuts of their own which would limit the exchange rate uncertainty. Given the pressures, they will have to find some way of lowering rates, which may explain why bond and equity markets remain so relaxed. The Bundesbank's behaviour, though, makes the recent strength of Frankfurt equities look distinctly odd.

Guardian Royal

All credit to Guardian Royal Exchange for grasping the nettle of new European accounting rules by including investment gains in profit. The old format, under which only investment income flows through the profit and loss, makes an arbitrary distinction between yield and capital gain. If the accounting change focuses attention on how insurance companies invest shareholders' funds, so much the better. Yesterday's figures demonstrate that investment performance

often matters more than underwriting. GRE's net assets have risen by more than half over the last year despite net underwriting losses. There is room to doubt the company's claim that such returns are the result of deliberate strategy. The £40m gain from Irish gilts, for example, looks fortunate. Whether such returns justify the degree of investment risk is an open question. Until insurers improve the quality of disclosure on their distribu-

The Bundesbank sticks

THE LEX COLUMN

FT-SE Index: 3079.2 (0.0)

Share price relative to the FT-A Composite Insurance sector

Quardian Reval Exchange

1983 84 85 86 87 88 89 90 91 92 95

tion of investments it will remain so. One might also wonder whether large investment gains are compatible with underwriting profits other than in the short term. Having restored insurance profits by shedding busi-ness, GRE would doubtless relish the opportunity to take the initiative. With a solvency ratio of 55 per cent, the best in the sector, it can afford to do so. Yet GRE's record of picking the right route for expansion is less than comforting. That amounts to an argument for caution even if that means returning surplus capital to shareholders, however enticing the investment returns might seem.

Rentokil

So much for worries about Rentokil's ability to keep earnings growing by 20 per cent a year. Thanks to some impressive work on margins in the first half, it remains comfortably within that target, even after stripping out exchange rate effects. That should keep the faithful satisfied for a while. its growth ambitions are growing harder to satisfy just the same.

UK margins approaching 30 per cent simply cannot be pushed much higher. Rentokil thus has to rely on volume growth. Its recent purchase of Securiguard could help. But it is still likely to need a steady diet of further acquisitions. Although Securiguard has eaten up the 274m net cash on its books at the half year, Rentokil could easily accumulate a further £100m by

the end of next year.
Yet with net assets low in proportion to its business, Rentokil cannot afford to write off much goodwill. Any large acquisitions might therefore

issue, for much the same reason as MB-Caradon launched a rights issue to help pay for its purchase of Pillar from RTZ. The difference is that, unlike Caradon, Rentokil has a large single shareholder: Denmark's Sophus Berendsen owns nearly 56 per cent. Rentokil must hope that, if the need does arise, Berendsen will put its money on the table. Its failure to do so would be a clear signal that others should sell.

Volkswagen

Volkswagen's half year figures suggest that profits are now haemorrhag-ing more slowly, but the improvement is not fast enough to meet the compa-is not fast enough to meet the compa-ny's target of breaking even by the year end. VW has now admitted as much, though given that the aim always looked optimistic, that is scarcely a surprise. More worrying is the likely weakness of any rebound in the market next year, reinforcing the need for the long-term cost reduction programme started by Mr Piech and

Their troubles with GM are doubt-less absorbing a great deal of management time and may yet cost one, or even both, their jobs. Shareholders can hardly be amused by full-scale police raids on the company. Senior departures - particularly of Mr Piech - would badly hinder the reform effort. Restructuring the high-cost Wolfsburg plant is a complex and difficult task, which will take time and a

clear sense of purpose. Yet once the strategy has been laid out the task can be completed by others. Besides around two-thirds of costs are attribut able to suppliers: it is there that the greatest savings can be made easily. Yet VW will still have to turn its traditional trick of producing cars which can command a premium in the market if manufacturing at Wolfsburg is to have a long-term future.

Reuters

Reuters' successful share buy-back is less astonishing when one considers the tax advantage to UK pensionfunds whose receipts are gross of income tax. Since the accompanying tax credit effectively gives them £17.20 a share, it was worth selling to the company at £14 even though the market price was around £15. The question is whether the lucky winners will use the proceeds to replenish their holdings of Reuters or spread them liberally round the rest of the market.

Improved orders lift hopes of sustained UK recovery

By Peter Norman

HOPES that Britain's economic recovery may prove to be sustained were boosted last night by news that UK manufacturers order books are at their best levels for 31, years.

The Confederation of British Industry reported that overall demand improved, and the number of companies expecting out-put to increase over the next four months rose in August compared with June and July.

Although the employers' body expressed some concern about sluggish investment growth, it raised its forecast for growth of UK gross domestic product next year to 3 per cent from 2.6 per cent previously. The CBI said it expected economic growth this year would be 1.7 per cent compared with 1.6 per cent predicted

director of economic affairs, said best level since February 1990, stocks.

"the outlook for the economy over the remainder of this year

and next is for steady growth accompanied by low inflation". The Treasury said that the lutest economic indicators provided "clear evidence" that recovery "is well under way'

It said growth in 1992 is likely to be "a little stronger" than the 1.25 per cent forecast in the March Budget.

CBI revises forecastPage 8

Meanwhile revised official figures from the Central Statistical Office indicated that the recession of 1991 and 1992 had been slightly less deep than previously

The CBI survey of 1,520 manufacturers employing nearly 2m people found a majority of industrialists were still complaining that orders were below normal.

before the recession.

pressure after the Bundesbank

meeting. The franc closed at FFr3.502 to the D-Mark, nearly 3

centimes down on the day. The

Belgian franc fell particularly sharply, undermined by a decla-

ration from a group of Flemish

economists earlier this week that the currency should break its

The Bundesbank council meet-

ing was the first since late July.

when its refusal to cut its dis-

count rate precipitated currency

turmoil within the exchange rate

mechanism of the European Mon-

Neither Mr Helmut Kohl, the

German chancellor, nor Mr Edouard Balladur, the French

prime minister, was prepared to criticise the Bundesbank after

their talks in Bonn yesterday, at which they sought to patch up

differences over the EMS debacle.

Editorial Comment, Page 13

link with the D-Mark.

etary System.

The survey, carried out between July 27 and August 18, found that 35 per cent of companies sald their order books were below normal compared with 17 per cent reporting above normal orders. The difference between the two figures, which indicates the trend, was a negative balance of 18 per cent compared with minus 28 in July and minus 52 in August last year.

> Export order books this month were little changed from July and weaker than in May and June, reflecting the weakness of continental European markets. Big companies were especially

However, the poll disclosed a positive balance of companies expecting to increase output in the months ahead for the eighth consecutive month and a slight decline in the percentage of com-

Carmakers' finances deteriorate sharply

Continued from Page 1

had lost DM1.6bn (\$940m) in the first six months of 1998, a DM2bn reversal from the profit of DM445m in the first half of last

The scale of VW's losses was reduced considerably in the second quarter, however, and the company, which is undergoing drastic restructuring, said it was working hard to achieve the "turning point" in profitability in

Renault declined to comment

on the state of negotiations to extend its alliance with Volvo into a full merger.

Sources in the French government, which is keen for the merger to be completed to clear the way for Renault's privatisa-tion, believe that a final agreement could be completed within

France holds an 80 per cent stake in Renault, while Volvo holds a 20 per cent stake in the Renault parent company, which includes the car operations, and a 45 per cent stake in Renault Vehi-

cules industriels, the truck and bus subsidiary

Renault holds stakes of close to 10 per cent in the Volvo parent company, 25 per cent in Volvo Car and 45 per cent in Volvo Truck.

Swedish financial analysts. who had predicted losses of up to SKr550m (\$68m) at Volvo for the first half of the year, said that the group's better than expected result could strengthen its hand in the merger negotiations with Renault, which are expected to be concluded next month.

Mr Balladur said he would subment, and the second on a new EC trade instrument to give greater protection to EC manufacturers. Germany and France

position on both issues. he said.

Kohl talks

mit two papers to Mr Kohl next week: the first on proposals for reform of the Blair House agreewould seek to agree a common

Continued from Page 1

is likely to cause consternation in Brussels and Washington, as well as in the German foreign and economics ministries.

FT, WORLD, WEATHER LOW 1000 **Europe today** Southern Scandingvia will have sunny intervals, but it will be cloudy in the north with outbreaks of rain over Finland. High pressure will dominate north-western Europe. As a 16 result, the Low Countries, Germany and northern France will be dry with a mixture of cloud and sunshine. A frontal zone over central Europe separating warm tropical air in the south from cooler air in the north will cause thunder showers in southern France and the Alps. Northern and central Italy may also have showers. The southern Balkan states will be sunny and warm. Greece will have plenty of sunshine and temperatures will be above 35C in most places. Five-day forecast Heavy thunderstorms will develop over the Balkans this weekend. A series of low pressure areas from the Atlantic will affect north-western Europe with outbreaks of rain which will be particularly heavy on Sunday. Behind the low pressure areas, cooler air will move into central Europe bringing showers and falling temperatures next week. Spain and

Greece will be slightly cooler.

Portugal will be mainly sunny with

temperatures over 30C in south-western areas.

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Lutthansa

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INSIDE

Gloom reigns at Renault

Renault, the state-controlled French car group, announced a fall of almost 90 per cent in first-half pre-tax profits and saw no sign of improvement in the depressed European vehicles market. However Volvo, the Swedish vehicle manufacturer, confounded market expectations by announcing a return to profit in the first half. Operating profit was SKr166m (\$20.5m) Page 16

VW suffers DM2bn reverse

Volkswagen lost DM1.8bn (\$940m) in the first six months of 1993, a DM2bn reversal from the profit of DM445m in the first half last year. Page 16

GRE profit points to upturn

Rises in premium rates and a fall in UK motor insurance and other claims helped Guardian Royal Exchange post pre-tax profits of £65m (\$96m) in the first six months of 1993, providing further evidence of recovery in the UK general insurance sec-

NEC downgrades profit forecast The electronics group, NEC, downgraded forecasts for pre-tax profits for the year ending next March to Y30bn (\$263m) from Y50bn, Page 17

india returns to capital markets Indian companies are returning to international capital markets following an easing of investors' concerns about last year's financial scandal in

Bombay and this year's sectarian disturbances.

Rentokii up 30% The UK environmental and property services comparry Rentokil reported interim pre-tax profits up 30 per cent at £67.1m (\$99m). Page 19

Optimism at Slough Estates

Slough Estates, the UK's largest industrial property company, announced a 14.5 per cent fall in pre-tex profits to £28.8m (\$42.6m) for the six months ended June 30 but was cautiously optimistic. Page

US costs knock Pentiand

Losses and closure costs at its US trade finance business and lower interest receipts hit Pentland Group in the six months to June 30 but the underlying improvement in operating profits was 14 per cent. Page 20

Price is almost right

As the gold price went below \$370 a troy ounce, a report published by the Gold Fields Mineral Services consultancy group suggested a range of between \$370 and \$400 "is probably not far out of line with the prevailing equilibrium price".

New Zealand buils

NZSE capital 40
2,100
. 2,000
1,900
1,800
1,700
1,600
Jun 1993 Azıg

Soaring confidence in the economic outlook and unexpectedly strong corporate profits have led to a recovery in New Zealand equation. The NZSE-40 capital index is bubbling around the 2,000 to 2,030 level that it last achieved in January 1990, However, It is still well below the 3,800 mark set in 1987.

Market Statistics

Auto trading along
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Companies in this issue

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	BASF	17.	15	NEC	
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Chemical groups gloomy on upturn

By Tony Jackson in London

TWO of Europe's biggest chemical companies warned yesterday that there is no prospect of economic recovery in Europe

BASF of Germany, reporting a halving of profits for the first half of the year, said "we do not expect any cyclical recovery of business in the second half of

prospect of an economic recovery in Europe".

BASF said that in Germany, it was unlikely the recession would bottom out before the middle of next year. Worldwide, said Dr Jürgen Strube, BASF chairman, "we do not expect any cyclical recovery of business in the second half of 1993". However, he said, there should be a slow

upturn in the US. Bayer of Germany, reporting a "Following the United King-25 per cent profits fall for the dom, the economy in other west-"Following the United King-

ern countries will also improve gradually in 1994," he said. From 1994 onwards, slowly at first, we expect business to

He warned of continuing job losses. "We will continue to reduce employment by around 4 or 5 per cent a year in the group,

and by more in Germany."

Productivity at the group's main German complex at Ludwigshafen had risen 13 per cent in the past three years. However,

this had been largely eroded by

in wage costs in Germany cannot be accepted," said Dr Strube. On a day when the Bundes-bank defied expectations by refusing to relax interest rates, Dr

Strube defended German monetary policy. There is a need for additional financial discipline in Germany,"

"Germany requires capital to invest in eastern Germany, and has to finance a growing burden of public debt. The Bundesbank

the rise in the D-Mark, "Increases has little room for manaeuvre." Referring to the overcapacity of Europe's petrochemicals industry. Dr Strube said BASF had less need to reduce capacity than oth-

> He defended the group's decision to build a large new ethylene cracker at Antwerp, saving its output would be largely used within BASF itself.

He expected ethylene plants to be shut in Italy and the UK early

Alice Rawsthorn reports on the entertainment value of Euro Disney's French park

Drama follows the figures from fantasyland

ner, chairman of the Walt Disney entertainment group, this week told the Los Angeles Times about his company's latest "creative smash" he was not talking about a new movie or cartoon, but about EuroDisneyland, its theme park in northern France.

"It's as good a piece of entertainment as we've ever delivered anywhere in the world," said Mr Eisner. The children whizzing around the park's attractions may well agree.

But unfortunately for the Disney chairman, EuroDisneyland is also providing another form of entertainment: the spectacle of its trials and tribulations in the fmancial world.

Euro Disney has for the past fortnight been beset by speculation about everything from the departure of its vice-chairman (which it confirmed) to a secret plan to close the park for the winter (which it denied). Its shares have fluctuated daily as investors have digested each new twist in the plot. Yet the real drama is being

enacted behind the scenes as Euro Disney's executives struggle to find a way of defusing the group's financial problems by securing a fresh influx of capital. Euro Disney is in deep trouble. It lost FFribn (\$170m) in its last

financial year to September 30 and is on course for another loss of FFr1.8bn this year. Its net debt has already risen from FFr18.5bn to FFr21bn since the year began and is set to rise further in the slack winter months. Unless it secures new capital, Euro Disney will stay trapped in a vicious cycle of rising debt, spiralling financial costs and mounting

It will also run out of money.

Euro Disney announced last right issue. But the protective month that Walt Disney, which owns 49 per cent of its shares, had promised to meet its working capital and short-term investment requirements until March. when it hopes to have completed its restructuring.

Euro Disney says that, so far, it has not had to ask Walt Disney for support. Analysts suspect the crunch will come in late November, when attendance is expected to fall sharply and Euro Disney could run out of cash. Euro Disney would then be technically bankrupt and its US parent would have to help.

The critical question is whether Euro Disney will be able

In the long term **Euro Disney needs** a second site

to complete its restructuring by the March deadline. One option is to renegotiate the terms of its existing loans to try to benefit from recent reductions in French interest rates. At present it pays half its debt at lixed interest

However Euro Disney failed earlier this year to persuade its banks to revise the loans. Even if it succeeds this time, a new agreement would only provide a partial solution. What the company really needs is an influx of cash to reduce its existing debt and to trim its interest bill. If Euro Disney was an ordinary

company it would stand little chance of raising cash in the traditional way: by attracting an external investor, securing a loan extension from its banks, or persuading them to underwrite a presence of Walt Disney, one of the largest and most profitable entertainment groups in the US. should ensure its survival.

"There's no way that Walt Disney is going to allow any business bearing the Disney name to go under," said one analyst. "It's got enough cash and enough clout with the banks to help Euro Disney if it wants to."

Even Walt Disney's influence is unlikely to enable Euro Disney to attract external investment. Wait Disney this week played down US press reports that it was considering this option. It could afford to raise its own 49 per cent holding in Euro Disney. However the medium-term losses would be so high that this would scarcely be an appealing prospect for Mr Els-

can extensions also seem unlikely. Walt Disney

would be expected to resist demands from the banks that it guaranteed the loans as a quid pro quo for extending them. Higher debt could also imperil Euro Disney's attempts to crawl out of the red by burdening it with an even higher interest bill

The consensus among analysts is that a rights issue is the likely solution. Walt Disney would doubtless take up its full rights of 49 per cent, which might make Euro Disney's banks feel more comfortable about underwriting the rest. The hitch is that the size of the issue would be restricted by the recent fall in Euro Disney's shares which closed at FFrö8.85, up FFr0.85 yesterday against FFr164 at their peak

before the park's opening.

Ms Rebecca Winnington-Ingram, leisure analyst at Morgan Stanley in London, suspects the Euro Disney could stage a



Walt Disney's Michael Eisner shoulders the burden of Euro Disney

share, compared with the original offer price of FFr72 in 1989, to raise FFr4.25bn. If the proceeds were used partly to reduce long-term debt and partly to help finance the construction of a second park on the Euro Disney site, she calculated that Euro Disney would finally come out of the red in the 1999 financial year with a net profit of FFr88m.

However Euro Disney might decide to plough all its extra capital into debt reduction and leave

one-for-two issue at PFr50 a the plans for the second park on ice. This might make sense in the short term, but in the long term Euro Disney needs a second site to attract more visitors and encourage them to stay longer. thereby boosting park revenues and hotel occupancy levels. Mr Eisner said this week that

Euro Disney was "like a movie that starts off slow". The problem is that it may take a very long time for the action to begin and until then, the production budget will get higher and higher.

Conti falls lower than expected

By David Waller in Frankfurt

CONTINENTAL, the German tyremaker, saw net profits slide for the first six months of the year to DM31.3m (\$18.5m) compared with DM118.7m in the first half of last year, on turnover down nearly 8 per cent to

The Hanover-based group said the profits outcome was worse than anticipated.

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It attributed the result to strong pressure on prices in the 'heavily declining" European vehicle industry as well as problems in other recession-struck sectors such as machine construction, mining and military

engineering. The crisis in the German vehicle market - down 25 per cent in production terms from its 1992 peak - has led to overcapacity in the tyre market, unleashing what Conti called "fierce price wars".

Conti said it had also lost sales volumes to manufacturers in the UK, Spain and Italy, countries whose currencies have depreciated against the D-Mark over the past year. Conti was not expecting busi-

ness conditions to be any worse in the second half although a revival in the German economy was not to be expected before next year.

It saw no reason to change the forecast of being in the black for the year as a whole. Last year, the group made profits of DM133m after a loss of DM128.2m in 1991.

Conti said that it would step up the cost-cutting measures to combat a "far-reaching crisis" in its core markets. The number of employees in

the group has been cut by 5,000 over the past three years, a process which is set to continue in the second half. It has also taken further

rationalisation measures, for example reducing the complexity of production plants, improving the efficiency of logistics and distribution systems and relocating manufacturing facilities to expensive production sites.

Conti predicted that sales for the full year would be slightly less than the DM9.6bn achieved

It said that the number of employees at the end of June was 51,448, about 1 per cent higher than a year before. But for the effect of acquisitions. employee numbers would however have been down by 3.500, or 7 per cent.

LWT share deal produces 16 overnight media millionaires

By Gary Mead in London

THE ranks of Britain's media magnates will from next Tuesday be swollen by 54 newcomers including 16 overnight millionaires - from London Weekend

They will benefit from a share scheme which, on paper, gives them a collective wealth of some £70m (\$104m), the fruit of their raising £3m in 1989 to back LWT's successful £7.58m 1991 broadcasting franchise bid. The biggest beneficiary will be

Sir Christopher Bland, LWT's chairman. Another winner is Mr Melvyn Bragg, LWT's arts con-troller, and novelist. His shareholding is likely to be worth

Mr Greg Dyke, LWT's chief executive, whose achievements include rescuing breakfast televi-

sion funds will accordingly be entitled to a tax credit on top of

By Philip Coggan, Personal Finance Editor

back offer.

sion station TV-AM's collapsing tions, the 54 managers have ratings by introducing a puppet called Roland Rat, stands to gain some £6.9m.

Besides the 16 whose shareholding will make them into paper millionaires, a further nine have shares which are likely to be worth more than £915,000

LWT's institutional shareholders backed the scheme in 1989 as a way of giving the company's top management an incentive to win LWT's franchise bid.

The scheme's payout has been triggered by LWT's share price staying above 278p for the 20 days since the company reported its half-year financial results, on July 29. Today is the last day; the average share price in the past 19 days has been 470.4p.

According to Mr Peter Cop-pock, LWT's head of press rela-

Investors flock to Reuters buy-back

signed confidential agreements stating how many shares they will sell next Tuesday. The same agreement commits them to make no further sales before August 1994.

Sir Christopher yesterday anticipated that selling by the 54 will be minimal, reducing management share ownership from 15 making it the third largest group of shareholders. Granada TV is the biggest shareholder with 20 per cent, followed by Mercury with 15 per cent.

Mr Guy Lamming, media analyst with the brokers James Capel, said the scheme "has been good all round - for the com-pany, its management and its institutional investors. These people took the risk and it paid off."

NCC AB SKANDIA INVESTMENT AB **AB SWEDCARRIER**

and a group of private shareholders have sold their shareholding in



to



The undersigned structured the transaction and advised the selling shareholders of Nyman & Schultz AB

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FINANCIÈRE INDOSUEZ

Enskilda Corporate

June 1993

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SHAREHOLDERS in Renters, the international news and informa-tion group, have flocked to take advantage of the company's spe-cial £350m (\$518m) share buy-Around 38.65 per cent of the company's shares were tendered under the offer, although Reuters plans to buy back only 5.84 per cent of its capital.

The deal proved so attractive because a large proportion of the payout is being treated as a distribution by the inland Revenue. Gross funds such as UK pen-

Sir Christopher Hogg: shareholders will benefit' per share. The deal was less attractive for US shareholders, the purchase price of £14 per share, pushing their total receipts up to £17.21.

Reuters shares closed at £15.24 buy-back was unprofitable once

the Reuters price passed £15 in the form of ADSs (American Depositary Shares) was accordingly just 1.92m, out of a total tender of 164.3m shares; the com-pany is offering to buy back 25m Reuters proposed the buy-back

as a means of returning its cash pile, £710m at the end of 1992, to shareholders. Sir Christopher Hogg, Reuters' chairman, said: "The board believes that all shareholders will benefit from the repurchase since it should lead to an increase in Reuters'

earnings per share."
Shareholders who have submitted valid tenders will have their shares purchased in full, up to a maximum of 5.84 per cent of their holdings as of August 25. Additional shares will be pur-

By Ronald van de Krol

KNP BT, the Dutch paper and packaging group created out of big domestic merger earlier this year, swung into a net loss of Filem (\$8.2m) in the first half of 1993 from a pro forma net profit of Fl161m a year ear-

The company said it would be taking an extraordinary charge of F1300m to pay for projects aimed at boosting profits and integrating businesses previously owned by the three merger partners KNP, Buhrmann-Tetterode and

selling prices. Turmoil in European exchange rates was a con-tributing factor.

KNP BT warned in May that it had fallen into losses and that it would be making reorganisation provisions. Yesterday, the company - which is 17 per cent owned by the Canadian forestry group MacMillan Bloedel - repeated its forecast that it would be difficult to post a net profit before extraor-

dinary items for the full year. All four of the group's business sectors - paper merchanting, graphic systems, packag-ing and paper production -/RG. posted lower operating results in the first half, with graphic

showing small operating losses. Group sales were down nearly 10 per cent to F15.9bn. The graphic systems sector was hit by a decline in sales in

Europe as well as by the deval-

uations of the Spanish peseta and the Italian lira. In paper production, industry-wide overcapacity put KNP BT's margins under pressure, in spite of a decline in raw

Part of the Fl300m charge will be used towards the divestment of four graphic distribution companies in Europe and Asia, in line with an agreemerger authorities

heightened competition. Aegon said it planned to

option of receiving an interim payment in shares. The divi-

> SKr28.2bn. However, the group's operat ing profit before financial items rose to SK1.50bn from SKr1.30bn, and its performance benefited further from a reduction in financial costs to SKr128m from SKr488m. Full-year financial expenses should be SKrlbn less than

and the US remained weak. Reduced Swedish building activity also explained the drop in NCC's revenues to SKr8.6bn from SKr10.4bn. Profits in the group's main unit, NCC Bygg, fell to SKr268m from SKr378m. Excluding capital gains and losses from associated companies, the group made a

Swedish construction groups rise sharply

By Christopher Brown-Humes

SKANSKA and NCC, the two leading Swedish construction and real estate groups, yesterday reported sharply improved first-half figures. However, they relied on gains from divestments and the absence of write-downs to compensate for the continued deterioration in market conditions.

The companies predicted they would make a profit before property write-downs for the full year, although Skanska took the gloss off its forecast of a SKr2.2bn (\$272m) profit by saying it was set to make further "substantial" write-downs again this year. Both groups made big losses in 1992 because of huge property write-downs,

Skanska saw first-half pretax profits rise to SKrl.38bn from SKr813m, while NCC returned a SKr304m profit, against a SKr7m loss for the same 1992 period. Skanska recorded capital gains from divestments of SKr386m und NCC gains of SKr476m.

The continuing downturn in the Swedish construction market was largely responsible for cutting Skanska's first-half revenues to SKr14.0bn from SKr15.2bn and for its prediction of a 12 per cent fall in full-year revenues to

last year at around SKr700m. The group said real estate markets in Sweden, Europe

SKr108m first-half loss, compared with a SKr218m profit.

RESULTS FROM EUROPEAN CARMAKERS REFLECT THE TURMOIL IN THE INDUSTRY

VOLKSWAGEN is unlikely to the current year without the help of extraordinary income, Mr Ferdinand Plech, the chairman of the group's managing board, has told a German

In the interview in today's edition of the Frankfurter Allgemeine Zeitung, Mr Ferd-inand Piëch added that there is a possibility that the group will omit a dividend on its ordinary shares in 1993, Last year's dividend was DM2 per share, cut from DM11 in 1991.

The Volkswagen senior man-agement has for several

By John Ridding

months confidently forecast the group would be back in the black by the year end.

The group lost DM1.6bn (\$940m) in the first six months of 1993, a DM2bn reversal from the profit of DM445m made in the first half of last year. Turnover for the half-year was DM38.4bn against DM43.75bn in the comparable period.

Volkswagen said the result represented a considerable reduction in losses in the second quarter. In the first quarter of the year the group lost DM1.25bn: losses for April to June were by comparison a modest DM350m.

The board said it was work-

ing point" in profitability in the second half.
The group made a small

profit in July and Volkswagen said it would strive to achiev further monthly profits, but it stopped short of saying that the group would break even for the the year as a whole.

A letter to shareholders

praised Mr José Ignacio Lopez de Arriortua, VW's purchasing chief who joined the German group from arch rival General Motors earlier this year, for his role in helping to reduce losses despite the disastrous economic environment

Volkswagen said that worldwide production dropped 19 per

month period, whilst deliveries to customers dropped 13 per cent to 1.61m units. Take Land

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For the Volkswagen marque, deliveries to customers fell 11.1 per cent; deliveries of the luxury Audi marque dropped 27.3 per cent and SEAT by 22.7 per cent. The only marque to increase sales was the Czech-based Skoda division where unit sales rose by 23.1 per

VW predicted that it would sell 3.2m vehicles for the year as a whole. Capital investments in the group for the six months fell by 38 per cent to DM2.68bn. The loss for the Volkswagen parent company in the first half was DM946m.

Dutch insurer ahead at halfway

STRONG results in the US and the Netherlands helped lift net profit at Aegon, the secondlargest Dutch insurance company, to F1497m (\$255m) in the first half of 1993, a 7.3 per cent rise on the same period of

Aegon did not give a geographic breakdown, but results in Europe outside the Nether-

and lower claims

By Richard Lapper in London

Premium rise

boost GRE

lands did not meet expectations, largely due to setbacks on the British non-life market However, turnover in Europe showed a small rise in spite of the negative effect of recent currency movements and the disposal of shares in a joint

venture in Greece. Group turnover rose by 10.6 per cent to Fl 8.88bn. In the US. sales and operating profit showed a strong rise. Dutch

raise its 1993 interim dividend to Fl 1.15 in cash from Fl 1.10 last year. For the first time, shareholders will have the dend payments will be worth 2 to 5 per cent less than the cash dividend but are generally

Schindler lifted by Also's

RISES IN premium rates and a fall in claims on UK motor insurance and other policies heiped Guardian Royal Exchange, the composite insurer, post pre-tax profits of £65m (\$96.2m) in the first half of 1993, providing further evidence of the recovery in the trading subsidiary.

general insurance sector. The figures compared with a loss of 239m at the same stage last year. After investment gains, which GRE included for the first time, in line with prospective European reporting requirements, pre-tax profits were £307m, an improvement

The interim dividend was increased to 2.65p (2.5p).

first-time contribution

By len Rodger in Zurich

SCHINDLER Holding, the world's second largest elevator manufacturer, said its operating revenues in the first half were up 4.3 per cent to SFr2.2bn (\$1.48bn) due mainly to the inclusion for the first time of its Also computing

The group said operating profit in the full year was likely to be similar to last year's SFr154.9m, in spite of continuing unfavourable market conditions. Net income would be

significantly higher because of

financial earnings. Revenues from elevators and escalators were down 1.1 per cent to SFr1.9bn, while rolling

SFr137m. Also contributed SFr114m to revenues. ● Leu Holding, a private banking unit of the CS Holding financial services group built around Credit Suisse, has

reported more than doubled

consolidated net income of

SFr92m in the first half. Leu said all divisions contributed to the jump, with profits from trading soaring 89 per cent to SFr89m. Commission income advanced 26 per cent to SFr123m and net interest income rose 17 per

cent to SFr134m. Expenses were up 7 per cent to SFr182m, with the result that pre-tax profits advanced 60 per cent to SFr170m. Leu said the number of borrowers in difficulty was still rising, so it raised its bad loan provisions stock sales were flat at by 20 per cent to SFr36m.

profits and sald that it saw no sign of an improvement in the

depressed European vehicles industry. The company said that pre tax profits for the first six months of 1993 were FFr730m (\$123.93m) compared with FFr5.44bn in the same period last year. Sales fell by about 8.4 per cent to

RENAULT, the state-controlled

French car group, yesterday announced a fall of almost 90

per cent in first-half pre-tax

Car analysts said that Ren-

ault's results were slightly better than expected. "They represent a good performance in the context of the European market." said Mr Christopher Moore, car industry analyst at Morgan Stanley. Renault said that its share-

holdings in the Swedish car group Volvo had reduced its profits by about FFr277m in the first half. But only FFr39m of this negative contribution came in the second quarter and the first half figure as a whole was an improvement over the same period in

In the cars division, which

half of last year to 9.5 per cent of the group's commercial and this year. Sales in the division industrial turnover, sales fell-from FFr79.7bn to FFr72.1bn in were fairly stable at

Renault said that the com-The figures were buoyed by pany planned to reduce prothe successful introduction of the Twingo small car, but the duction to respond to the conparticularly steep decline in car sales in southern Europe, tinued weakness of demand in the car and industrial vehicles where Renault has a large presence, meant that the commarket.

The company added that it pany's overall share of the would also intensity its efforts to reduce costs and financial charges and increase from 10.4 per cent to 10.3 per

productivity.

But it added that sales and profits "would suffer, despite these efforts, from the strongly negative impact of the eco-

Volvo back in the black despite fall in sales

Renault issues warning after profits plunge

By Hugh Camegy

VOLVO, the Swedish vehicle manufacturer, yesterday confounded market expectations by announcing a return to profit in the first half despite a further fall in its sales of cars and trucks.

A rebound to an operating profit of SKr166m (\$20.5m) from a loss of SKr835m last year pushed Volvo to a profit after financial items of SKr380m, compared to a deficit in the first half of 1992 of SKr103m.

The surprise result, which contrasted with expectations of losses up to SKr550m, sparked otherwise weak Stockholm stock market. The most-traded A shares closed up SKr11 at SKP4M.

Volvo said a change in the accounting of some tool costs had bolstered operating income by about SKr400m. The dramatic fall in the value of the Swedish krons compared to the first half of 1992 had also increased operating profits by about SKr200m. But it said that the turnaround was mainly driven by rationalisation measures, cost-cutting and lower research and develop-

ment costs. Two out of three Swedish car assembly plants are being shut

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Sale due to retirement.

in the group has fallen to 56,400 - a drop of 13,000 since

European car market slipped

In the industrial vehicles

division, including buses and

trucks, Renault increased its

share of the European market

Sales rose to SKr48.8bn from SKr4L4bn, but Volvo said there was a decline of 2 per cent when exchange rate changes were excluded. The number of cars sold fell to 156,400 in the first balf from 160,100 a year earlier, including

a tumble of more than 20 per cent in Europe. Sales of medium-heavy and heavy trucks were bolstered by sharply higher demand in North America, but still fell by 3 per cent to

However, although details

were not given. Volvo gaid both the truck and car groups reported operating profits, as did the Volvo Penta marine engine group and the aero

engine group. Volvo's share of Renault's income stemming from its cross-shareholdings in the French group fell sharply to SKr220m from SKr852m. But income from Procordia, the pharmaceuticals and food group, more than doubled to SKr1.04bn.

Net interest expenses rose to SKr565m from SKr315m, but net debt was down slightly from the end of 1992 at SKr12.9bn and interest charges fell off in the second quarter.

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NOTICE OF PAYMENT

GENERAL TRUSTOO OF CANADA INC CDN \$56,191,000 - 10 1/4% Series 2 Debentures due March 23, 1993

Further to the approval, at the meeting held on July 6, 1993, of the proposal of compromise or arrangement made by General Trustee of Canada Inc., to the debentureholders, as described in the Notice of Meeting of the Holders of Series 2, Series 3 and Series 4 Debentures and Notice of Meeting of the Holders of Series 4 Debentures and Information Circular dated June 1993, notice is hereby given that a first payment of \$0.30 for each \$1.00 in principal held plus interest due or accrued up to March 23, 1993, will be made shortly to holders of Debentures. Consequently, the principal and interest payable to debentureholders is as follows:

payment in Payment of Denomination principal <u>interest</u> <u>issue</u> 10 1/4% Series 2 Debentures \$1,000

Holders of 10 1/4% Series 2 Debentures are requested to present their certificate(s) accompanied by the interest coupon dated March 23, 1993, at the offices of one of the following paying agents to have their certificate(s) stamped and to receive payment of the aforementioned amounts:

à Luxembourg S.A.

Banque Internationale Banque Bruxelles Lambert S.A. Orion Royal Bank Avenue Marnis 24

2 Boulevard Royal, B.P. B-1030 Brussels, Beigium National Bank of Canada

Baimhofstrasse 53 600 de la Gaucherière West Montreal, Quebec

Furthermore, the interest rate has been adjusted to 7 1/4% from March 23, 1993 and the interest will be payable concurrently with the final payment of principal. Please contact any of the above-mentioned paying agents to obtain additional information on the modalities of payment.

> Dated at Montreal on August 19, 1993. MONTREAL TRUST COMPANY,

71 Oueen Victoria Street

London, England

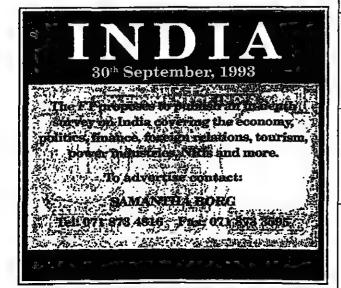
CATHAY CLEMENTE (HOLDINGS) LIMITED

1993 INTERIM RESULTS (Unaudited)

FINANCIAL HIGHLIGHTS	30th June 1993
	HK
Net Asset Value	+5-4.7+7.373
Net Asset Value per share	7.7.
Loss per share	0.00
PROFIT AND LOSS ACCOUNT FOR ENDED 30TH JUNE 1993	
PROFIT AND LOSS ACCOUNT FOR	THE HALF-YEAR
PROFIT AND LOSS ACCOUNT FOR	THE HALF-YEAR
PROFIT AND LOSS ACCOUNT FOR ENDED 30TH JUNE 1993	
PROFIT AND LOSS ACCOUNT FOR ENDED 30TH JUNE 1993	THE HALF-YEAR

warrants held Dr. Ernest Lai 100,000 20,000

4,115,475 Loss for the period 1,115,473 DIVIDEND The Board of Directors does not recommend the payment of an interim DIRECTORS' INTERESTS As at 50th June 1995, the following Derector had a beneficial interest in the share capital of the Company: Number of Save for the above, none of the other Directors had interests, either ficially or non-beneficially, in the share capital or warrants of the A copy of the interim report and any further information is available from the Assistant Secretary, MeesPlerson Management (Asia) Limited, 27th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kang FUTURELINK



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Notice is hereby given to holders Depositary Co., N.V. evidencing hares in the above company tha "First quarter report 1994" of Pioneer Electronic Corporation ended June 39, 1993 may be

N.V. Nederlandach Administratieen Trustkantoor. Herengracht 420. 1017 IIZ Amsterdam

established in Tokyo, Bruxelles London, Dusseldorf, Paris and New York

The Bank of Tokyo Ltd.,

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Tel: 071 383 5100 Fee: 071 383 4077. Grant Thornton



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By order of the Joint Administrators Malcolm Cohen FCA and Raymond Hocking FCCA of Stoy Hayward offer for sale as a going concern the business and assets of The Face Group Limited.

Established 25 years with broad client base.

 1992 turnover £3.5m. Typesetting – 24 hour mechanical studio setting and graphic systems including Apple Mac, Linotype, Scangraphics, Berthold & Auto-Logic Multi Page Imaging.

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Further information may be obtained from Paul Proctor of Edward Symmons & Partners the appointed agents. Tel: 071-407 8454. Fax: 071-403 1947.

STOY HAYWARD Howath and Business Advisers A member of Horwath Internati The Landon office of

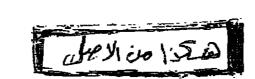
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returns

Pacific

By Simon Davies

in Hong Kong

By Tony Jackson

April 1 April 1

PROFITS at BASF, the German chemicals group, fell by 51 per cent in the second quarter of this year to DM245m (\$142.4m). This matched the 50 per cent fall in the first quarter.

Mr Jürgen Strübe, chairman, said the third quarter should not show any further fall from the year before. However, he noted that last year's third quarter had been "very unsa-

The fall in profits came on a per cent drop in sales to DM10.39m. Mr Strübe said business was still characterised by "low demand combined with a surplus of supply, resulting in unrelenting pressure on

In the first half of the year, he said, BASF had been contin-

uously in loss at the operating level in plastics and fibres, and also in magnetic tapes.

Mr Strübe said "the principal

cause of the drop in sales was the soft demand in Germany and other European countries". By contrast, some businesses in North and South America had done better than

The magnetic tape business remained difficult, he said. Prices in the first half of the year were 10 per cent lower than last year, and the com-pany had shut down production at sites in the US, France and Germany. "We expect BASF Magnetics

to make a loss again in 1993, but we are aiming to break even in 1994", he said. In pharmaceuticals and agrostate intervention. "I need only mention the German Health Care Reform Act and the EC agricultural policy reforms."

The group's drug sales in Germany were down 13 per cent in the half-year, as the result of lower prices in former East Germany and lower volume in West Germany.

Mr Strübe said that by the end of 1993, BASF would have shed nearly 20,000 jobs since 1989, partly through divesting businesses. In 1994, he said, the group planned to shed more than 4,000 jobs, the majority in

"An increase in personnel costs in Germany is not acceptable in the next few years, as the revaluation of the D-Mark

existing cost disadvantages in international competition," he declared.

In the first half, group sales were down 7 per cent from DM23.6bn to DM22.0bn. Group profit before tax was DM483m. compared with DM972m. Sales of plastics and fibres were wn 12 per cent at DM4.83bn, in dyestuffs down 5 per cent at DM3.75bn and in chemicals 5 per cent at DM2.73bn. Sales in agricultural products were down 13 per cent at DM2.47bn. and in oil and gas were up 4

per cent at DM2.31bn. European sales were down 11 per cent at DM13.35bn. Sales in North America were up 3 per cent at DM4.29bn. Sales in Asia, Australia and Africa were down 6 per cent at ica up 9 per cent at DM1.17bn.

Bayer predicts 20% decline in earnings

By Christopher Parkes in Frankfurt

BAYER, the German-based chemicals group, expects earnings to drop 20 per cent to around DM2bn (\$1.1bn) this year, following a similar decline in the first half, and despite expected cost savings

of almost DM1bn. There is no prospect of an economic recovery in Europe, source of 62 per cent of sales, and the favourable effects of current US dollar and yen exchange rates will not compensate for adverse shifts in European currencies, the com-

pany said yesterday.

By Bruce Jacques in Sydney

ARNOTTS, the Australian

biscuit company, has raised its annual dividend despite dip-

ping into the red in the second

half following heavy asset

Reporting yesterday for the

first time as part of the of

Campbells Soup, the US food

company, Arnotts announced

an 18 per cent net profit rise to

A\$47.2m (US\$31.8m) for the year ended June on a 4 per

The company made a loss of

A\$6.6m in the second half of

cent sales alide to A\$882.1m.

write downs.

Pre-tax earnings fell DM344m

Arnotts lifts payout in

spite of second-half loss

to DM1.4bn on sales down 5 per cent at DM21bn in the first half, according to an interim report. The effects of an 11 per cent drop in European turn-over were partly alleviated by a. 4 per cent improvement in north America and 10 per cent

Sales in the healthcare divisions, the group's main protection against recession, were stable at DM4.6bn, while all other sectors showed declines. Polymers and industrial products were worst hit, with sales

down 10 per cent. Healthcare performed relatively well, despite prescription limits and other medical service reforms in Germany, and

profit of A\$17.2m last time.

However, the annual dividend

The year's result included

abnormal losses of A\$32.9m

(A\$18.7m loss previously),

mainly reflecting a A\$47.9m

Mr Paul Bourke, managing director, said the company had

now completed most of its pro-

gramme to divest non-core

activities and focus on biscuit

to concentrate on our three

key strategies for the remain-

"We are now in great shape

is going up from 23.5 cents a

share to 29 cents.

assets write-down.

making.

due in part to growth in selfmedication products. Turnover at Bayer AG, the German parent, fell 12 per cent

to DM8.6bn, mainly because of lower volumes In agrochemicals, where sales were down 2.6 per cent, turnover improved in the second quarter after a 9 per cent drop in the first three months

of the year. The results, towards the top end of analysts' expectations, followed a 16 per cent drop in pre-tax profits from DM3.2bn to DM2.7bn for the whole of 1992, which led to the first cut in the group's dividend in a decade. Last year's payout was cut DM2 to DM11, although the

By Christopher Brown-Humes

SWEDBANK, the newly-

merged Swedish savings bank

group, yesterday reported a

sharp contraction in first-half

losses and said it was working

on a plan that would avoid it

having to call on government

The bank did not disclose

details of its proposals, and

said further information would

not be available until the

middle of November at the

Last week's Skandinaviska

n Stockholm

calling for state support

group made no mention of 1993 prospects in yesterday's interim report.

Workforce reductions and other rationalisation measures appear to have been accelerated. The group said costs were reduced by around DM500m in the first half, and further savings of several hundred million D-Marks were expected in the remainder of the year.

In the period under review the group shed 2,700 employees, out of the 3,000 planned to go in the full year. Personnel expenses excluding pensions fell as a result - by 4 per cent to DM6.5bn in the group and by 8 per cent to DM2.7bn at the

leading commercial bank, with-

drew its request for state aid.

operating deficit fell to

SKr1.59bn (\$197m) from

This followed an increase in

operating income before loan losses to SKr4.20bn from

SKr3.38bn plus reduced credit

losses of SKr5.80bn against

The bank said a 15 per cent

The bank's capital adequacy

ratio has weakened to 8.8 per cent from 9.3 per cent at the

reduction in costs helped

explain its improved result.

SKr9.25bn.

Swedbank said its first-half

Swedbank seeks to avoid

Motor Bus depot.

The industrial division reported first-half growth, primarily due to strong performances from soft drinks bottling in the US and Hong Kong, and from Swire Technologies. But the trading division recorded a decline in earnings.

NEC cuts year's pre-tax profits forecast to Y30bn

By Michiyo Nakamoto in Tokyo

SWIRE PACIFIC, the Hong Kong-based property, aviation and trading group, reports a 17 per cent decline in first-half profit, primarily because of (\$283m) from Y50bn. the sharply reduced contribu-NEC said the main cause tion from 51 per cent-owned

airline Cathay Pacific. The group posted profit attributable to shareholders of HK\$1.8bn (U\$\$232.3m) for the six months ended June, down from HK\$2.18bn in 1992. The dividend is being held at

29 cents per A share and 5.8 cents per B share. Last year's interim profits were boosted by the sale of an office tower to Hong Kong Telecom, which contributed HK630m profit.

However, Swire will book profits from the sale of its stake in the Lee Gardens Hotel and from sales of residential units in Robinson Place during the second half of 1993.

Mr Peter Sutch, chairman, said: "The outlook for the aviation industry continues to be uncertain." But he predicted a stronger performance for the remainder of the group's busi-

Swire continues to expand its property investment portfollo, following the recent HK\$2.85bn site purchase with Citic Pacific. Net rental income from the existing portfolio - primarily Pacific Place and City Plaza - increased by 29 per cent to HK\$1.03bm in the half-year.

Property development earnings will be strong up to 1995, due to further contributions from Robinson Place, and from the joint venture redevelopment of the former China

its value-added aluminium

 Hongkong and Shanghai Hotels, the Kadoorle family company which owns the Peninsula hotel group, posted a 12 per cent increase in net profit for the first half of 1993 to

NEC, the electronics group, has downgraded forecasts for pre-tax profits this year, cutting its estimate for the year ending next March to Y30bn

was the prolonged weakness of the Japanese economy. The expected recovery in demand for personal computers had not materialised, and the slump in business activity had kept demand for communications equipment weak.

Although semiconductors were seeing buoyant demand from the US and Asia, NEC was not experiencing the kind of growth in the Japanese semiconductor market that it had expected.

The high value of the yen was also a factor behind the downward revision. NEC was not, however, as badly affected by the yen as some other exporting companies since it was dependent on only about 18 per cent of total sales on overseas markets.

Sales in the year ending March are forecast at Y2,960bn compared with the previous is forecast to be Y16bn rather than Y28bn expected earlier.

On a consolidated basis sales are expected to be Y3.630bn compared with a previous forecast of Y3,700hn, but consolidated pre-tax profits and net income estimates are unchanged at Y40bn and Y10bn respectively, largely as a result of strong demand for semiconductors in overseas markets and cost-cutting measures by the company.

It is of "paramount impor-tance that the company make a profit this year", an NEC spokesman said

The company is implementing wide-ranging cost-cutting measures in an effort to avoid making a second consecutive

One area where the company is charging ahead, however, is the overseas semiconductor business. NEC has revised its capital spending forecast for the year for semiconductor operations on the strength of huovant demand for memory chips in the US and Asia. It will increase capital spending by about Y10bn to Y80bn, the

Reynolds Metals expands aluminium can capacity

By Laurie Morse in Chicago

REYNOLDS METALS, the US integrated aluminium manufacturer, is to buy Miller Brewing's aluminium beverage can manufacturing operations.

The deal will make Reynolds third-largest aluminium can producer in the world. The transaction will increase

Reynold's US aluminium can capacity by nearly 50 per cent, according to Mr Richard Holder, Reynolds' chairman. The acquisition is part of the company's strategy to expand

huninerses Commodity aluminium prices are very weak, and Reynolds recently announced plans to shut significant portions of its US primary alumin-

ium manufacturing. A spokesman for Miller, which is part of Philip Morris,

the US food and tobacco group, said the company was divesting the can properties because it wished to focus on its core business of brewing

Terms of the sale were not disclosed, but Reynolds said the deal would be financed through short-term borrowing against existing lines of credit Once the purchase is finali-

sed, the companies will enter a long-term agreement where Reynolds will supply Miller with "substantially all" of its beverage can requirements.

Miller's can plants, located in Milwaukee, Wisconsin, Fulton, New York, Fort Worth, Texas, Reidsville, North Carolina, and Moultrie, Georgia, have a combined capacity of 5bn beverage cans per year. and employ more than 800 peo-

Recovery at **National** Bank of Canada

By Robert Gibbens in Montreal

NATIONAL Bank of Canada reports a strong recovery for the third quarter and nine months following a good performance by its stockbroking offshoot, tight control of costs and lower loan loss provi-SIONS.

For the three months ended July, the bank made a net profit of C\$47.3m (US\$36.90), or 27 cents a share. This compares with a loss of C\$117.5m, or C\$1 a share, a year earlier, Second-quarter net profit amounted to C\$40m, or 23 cents a share.

Third-quarter provisions were much lower at C\$75m, down from C\$358m a year earlier when the bank wrote off key bad loans.

Its return on average assets was 0.48 per cent, against a

negative 1.16 per cent. Profit for the nine months totalled C\$132.4m, or 78 cents a share, against a loss of C\$37.9m

or 52 cents a year earlier. Return on average assets was 0.46 per cent against a negative 0.13 per cent.

Total assets at end-July were Net Interest margins widened by 5 per cent because of a reduction in non-performing

A CS14m gain on the sale of Brazil bonds was offset by securities trading losses and provisions.

Most of the 14 per cent gain in other income came from the brokerage unit.

 A poor performance for Canadian newspapers plus negative currency factors pulled first-half profits sharply lower at Hollinger, the Canadian holding company headed by Mr Conrad Black. Despite continuing strength

at the Daily Telegraph newspaper in the UK, the company's net profit was C\$24.6m, or 36 cents a share, for the first half of 1998, down from C\$54.1m, or 87 cents, a year eariier.

Revenues dipped slightly to

Mr Black said operating profit was C\$45.5m. against C840.7m.

The steeper decline in aftertax earnings was due to smaller capital gains and the weakness of sterling.

REPUBLIC OF POLAND

the year compared with a der of the 1990s," he said.

MINISTRY OF PRIVATISATION INVITATION TO NEGOTIATE

The Minister of Privatisation, acting on behalf of the State Treasury, in accordance with Article 23 of the Act on Privatisation of State-Owned Enterprises of 13th July 1990 (The Privatisation Act), is issuing an Invitation to Negotiate to all qualified parties interested in the purchase of no less than 10% of the shares in:

FABRYKA KUCHNI "WRONKI" (former WROMET")

The Company is the largest Polish producer and exporter to the EEC of free-standing cookers (ranges).

The Company is located in the city of Wronki, approximately 60 km north-west of Paznan. In accordance with Article 24 of The Privotisation Act, up to 20% of the shares of the Company will be offered to the employees on a

The Ministry of Privatisation reserves the right to roject submitted offers or to modify the privatisation procedures, should this be in the interest of the Ministry or the Company.

Interested parties should register their interest in the above matter by BUSINESS ANALYSTS AND ADVISERS LTD

00-950 Warsaw Ul.Zurawia 22

Att: Mr. Maciej Urban Mr. Maciej Kanla

(48 22) 21 41 67 (48 2) 625 45 %

letter of confidentiality.

(48 2) 628 58 35 Information Memorandum on the Compuny will be sent after signing a

Enskilda Banken, Sweden's end of last year.

Registered office in Neples - Via Toledo, 177 Company capital It 1,063,452,000,000 and Reserves It. 3,433,642,018,774 tered at the Court of Neples, registration no - 41 Registered at C.C.L.A. in Naples at no. 487026 Tax Code and VAT Number 06385880635

NOTICE OF EXTRAORDINARY MEETING OF SHAREHOLDERS

Shareholders are convened for an Extraordinary Meeting at the registered office in Naples, Via Toledo, 177, on 21 September, 1993 at 12:30pm and, if necessary, on 22 September, 1993, for a second meeting, at the same time and place, to discuss and resolve the following

Amendment of articles 1,2,3,7,11,13,23,25 and 28 of the Company By-Laws and suppression of the

The right to attend the Meeting is given to shareholders who own the company's ordinary shares and who, at least five days before the established day of the meeting, have deposited these shares with the registered office, with Banco di Napoli branches in Italy or with one of the following duly-authorised Banca di Roma - Banca Nazionale del Lavoro - Banca Commerciale Italiana - Monte dei Paschi di Siena -Istituto Bancario San Paolo di Torino - Credito Italiano - Banco di Sicilia - Banco di Sardegna Monte Titoli S.p.A. (for the shares managed by it).

The explanatory report will be available to shareholders at the registered office according to law. In accordance with art. 2 par. 4 of the relative regulation, the exercise of the right of the conversion of Benco di Napoli 92/95 warrants is suspended from 27 July until the day after the end of the Meeting. Napies, 27 July, 1993

On behalf of the Board of Directors The Chairman Luigi Coccioli

HUNGARIAN STATE PROPERTY AGENCY INVITATION TO TENDER

Banque Indosuez Hungary (Adviser) by virtue of the mandate given by the State Property Agency (SPA) announces an open one-round tender for the purchase of the shares in state

PAPA MEAT PROCESSING COMPANY LTD. The company is legal processor of the Papa Meat Combinat which has transformed into a company limited by shares on 30th September 1992. The equity is HUF 900,000,000, the capital reserve is HUF 694,912,000. Simultaneously with the privatisation, non-voting employee shares of total value HUF 100,000,000 shall be issued, which in 90% shall be

financed from capital reserves.

The following stakes are object of the tender: a. 45,001 pieces ordinary shares of face value HUF 10,000 each, representing (before the issue of employee shares) 50%+1 share. Hungarian and foreign investors may bid. The purchase price may be paid by any legal means of payment (cash, E-credit, compensation

22.501 pieces of ordinary shares of face value HUF 10,000 each, representing (before the issue of employee shares) 25%+1 share. Hungarian producers may bid. The purchase price may be paid only with compensation coupon.

The detailed conditions are prescribed in Tender Documentation. Officially signed tenders shall be submitted personally or by proxy in 3 copies in Hungarian, in a scaled envelope bearing no company name or logo. The bidder shall be required to mark the original copy in Hungarian language with the word "ORIGINAL" and with the reference of the tender. Foreign bidders may submit tenders in Hungarian and in English, however, the Hungarian version shall be decisive.

The deadline for submitting the tenders: 8th October 1993, 12.00 hours.

Banque Indosuez Hungary Ltd Budapest 1088 Rákóczi út 1-3, 4th floor

Ms Zsuzsa Fózó The bidders are required to declare that the offer is valid for 60 calendar days.

Only those bidders may submit tender who buy the Tender documentation and Information Memorandum. When bidding for the stake described in 'a' HUF 20 million shall be deposited in cash. When bidding for the stake described in 'b' HUF 3 million shall be deposited in compensation coupons, revalued by the legal rate of interest accrued.

The tenders will be opened at 8th October 1993, 13.00 hours, the evaluation shall be forwarded

The Tender Documentation containing the detailed conditions and procedures of bidding and Information Memorandum can be obtained in Hungarian and English language in the offices of Adviser, BANQUE INDOSUEZ HUNGARY LTD, against the official signing of the Declaration of Confidentiality and the payment of HUF 10,000+VAT. (Budapest, Rákoczi út 1-

Further information on bidding is available from:

Pápa Meat Processing Company

Mr. Tibor Nagy Economic Director Tel: 06-89-313-385 Fax: 06-89-324-643

Banque Indosuez Hungary Ltd Ms Klara Honos, Ms Zsuzsa Fózó Tel: 266-54-56, 266-80-90 Fax: 266-52-31

Lloyds Eurofinance N.V. £200,000,000 tranteed Floating Rate Nates Due 1996

For the three months August 25, 1983, to November 26, 1983, to November 26, 1983, the Notes will carry an interest rate of 64 p.a. with a coupen amount of 275,62, in respect of 25,000 nominal of the Notes and 2378 08, in respect of 225,000 noninal of the Notes payable on November 25, 1993. Clubank, N.A. (laster Services)

Halifax Building Society \$100,000,000 Collared floating rate notes due 2003

Notice is hereby given that the notes will bear interest at 7% per annum from 25 August 1993 to 25 February 1994 Interest payable on 25 February 1991 will amount to \$352.88 per \$10,000 note and \$3,528.77 per \$100,000

Notice is hereby given that the notes will bear interest at 6.025°, per annum from 25 August 1993 to 25 November 1993. Interest payable on 25 November 1993 will amount to \$151.86 per \$10,000 note

Sail Graman Clark, PC 0007E (London) 071 GS-270. 64KB HYPERFEED.

BRADFORD &BINGLEY

Floating rate notes 1996

\$100,000,000

JPMorgan

JPMorgan

Agent: Morgan Guaranty Trust Company

Agent: Morgan Guaranty Trust Company

27 August 1993

3

COMPANY NOTICES



Buffelsfontein Gold Mining Company Limited

(Reg No 05/33934/06)

acorporated in the Republic of South Africa Notice of last day to register as an ordinary shareholder of Buffelsfontein in order to receive new Beatrix Mines Limited

A further amountement will be published in due course reporting on the fulfilment of the conditions precedent referred to in the mnouncement of 4 August 1993.

("Beatrix") ordinary shares UAL Merchant Bank Limited is authorised to announce that, further to the announcement of 4 August 1993, the last day to register as an ordinary shareholder of Buffelsfontein in order to participate in the transaction varying the rights attached to the Buffelsfontein cumulative preference shares and, in consequence thereof, to receive \$1.818 new Beatrix ordinary shares for every 100 Buffelsfontein ordinary shares ("the transaction"), will be Bridge 10 September 1993.

be Friday, 10 September 1993.

Notice of closing of register of ordinary shareholders Notice of crossing of register of ordinary snareholders.

Notice is hereby given that both the South African and the United Kingdom sections of the register of ordinary shareholders of Buffelsfontein will be closed from the close of business on Friday, 10 September 1993, until the commencement of business on Monday, 20 September 1993, for the purpose of determining those Buffelsfontein ordinary shareholders entitled to participate in the transaction, and to receive the new Beatrax ordinary shares.

Agenda

transitory regulation by these by-laws.

The right to attend the Meeting is governed by statutory regulations and by the provisions of the laws.

£275,000,000 Floating Rate Loan Notes Due 1995 ("The Notes") (Comprising £00,000,000 Floating Rate Loan Notes Jue 1915 stated in November 1985 (the "Original Loan Notes") and a further £75,000,000 Floating Rate Loan Notes due 1905 assued on 30th June 1992 consolidated and forming a single series therewith).

WOOLWICH

BUILDING SOCIETY

and journal stages seems necessaria. In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including). 26th August 1993 to (but evcluding). 26th November 1993 the Notes will carry an interest rate of 6 per cent per annum. The relevant interest payment date will be 26th November 1993. The coupon amount per £10,000 will be £15.123 payable against surrender of Coupon No: 31.

Hambros Bank Limited

Notice of Redemption EUROMOL B.V. U.S.\$30,000,000 Guaranteed Floating/Fixed Rate Notes due 2000 Notice is hereby given that, in accordance with Condition 5(C) of the Notes, the Issuer intends to redeem the

Notes at their principal amount on 20th September, 1993.

Sakura Trust International Limited Fiscal Agent

27th August, 1993

Notice of Early Redemption U.S. \$100,000,000

KEMIRA OY

Floating Rate Notes due 1995 Notice is hereby given that in accordance with Condition 5(b) of the Notes, Kemira Oy (the Issuer) will redeem all Notes at par on the next interest payment date September 30, 1983 (the "redemption date") when interest will cease to accrue.

Repayment of Principal will be made upon presentation of the Notes at the offices of any of the Paying Agents listed below, together with all unmatured coupons. Unmatured coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect thereof.

Notes and Coupons will become void unless presented for payment within a period of 10 and 5 years respectively from the redemption does.

PRINCIPAL PAYING AGENT The Chase Manhattan Bank, N.A. Woolgate House, Coleman Street London EC2P 2HD PAYING AGENTS Chase Menhattan Bank (Switzerland) 63 Rue du Rhône 1204 Geneva Chase Manhattan Bank Luxembourg, S.A. 5 Rue Plaetis L-2338 Luxembourg Grund

Crédit Lyonnais Belgium 17 Avenue Marnix 1050 Brussels

The Chase Membattan Bank, N.A. 4 Chase Membattan Bank, N.A. 4 Chase Membattan Bank, N.A. New York, NY11245 By: The Chase Manhattan Bank, N.A.

CHASE

London, Principal Paying Agent

August 27, 1993

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INTERNATIONAL CAPITAL MARKETS

Prices ease as Germans stand firm on interest rates Indian groups

Patrick Harverson in New York

EUROPEAN government bond markets eased following Germany's decision to leave its key rates unchanged yesterday. However, the falls reflected token selling rather than investor panic.

The general view among investors was that the German Bundesbank would cut rates:

GOVERNMENT BONDS

whether it does so now or at the next council meeting in two weeks' time is academic. However, Ms Alison Cottrell of Midland Global Markets, argued that yesterday may have been the last chance

before November for a cut in German rates. The Bundesbank has said it would not ease if money sup-

The money supply number for August is likely to be inflated by the heavy foreign exchange intervention seen earlier in the month. Thereafter, there could be delays Mr Hans Tietmever has taken

UK economists had anticipated a quarter-point cut in the discount rate and on Wednesday there were reports that leading German economists expected a half-point reduc-

However, suspicion developed early yesterday that the Bundesbank might stand firm. Market-makers had taken a more cautious line than before the last council meeting and. as yesterday's meeting dragged on, more and more traders adjusted their books and pushed government bond markets lower.

By the time a decision was announced - just before 1pm London time - the consensus had shifted and positions were fully hedged.

on Liffe closed only 11 basis points lower, at 97.44, with turnover of only 82,000 contracts, no higher than

FRENCH debt prices sagged around midday, but recovered later and the yield on 10-year French paper remained some 5 basis points below its German Year Aug 26 Aug 25 Aug 24 Aug 23 Aug 20 ago High ° 101.63 f01.51 f01.58 f01.77 123.98 f23.97 f23.93 f24.37 GILT EDGED ACTIVITY Aug 24 Aug 23 Aug 25

Some economists argued that Germany's decision to leave rates unchanged was a gesture of support for France.

The refusal to shift monetary policy at the end of July intensified the heavy French franc selling and led, a few days later, to the crisis within the ERM. To ease yesterday when the French currency had a margin of more than than 30 centimes over its ERM limits could have been construed as a

political snub. The Bank of France left its 6.75 per cent intervention rate unchanged at yesterday's securities repurchase tender. Investors, preferring the low

inflation prospects signalled by the long end of the yield curve rather than the rate prospects reflected by the short end,

bought 10-year maturities. In spite of a slide in the currency. OAT futures traded on the Matif rose 4 basis points to 122.98 by the official close. The contract traded lower after official dealing.

In London, long-dated government bonds slipped slightly before recovering later to close flat on balance. Long gilt futures for September were a off at one stage, but closed marginally weaker.

■ US TREASURY prices posted modest gains across the hoard vesterday morning, supported by swap-related buying and supply considerations. By midday, the benchmark

30-year government bond was up å at 101%, yielding 6.149 per cent. At the short end

BENCHMARK GOVERNMENT BONDS										
		Coppen	Red Dete	Price	Change	Yield	#60 Week	Month ago		
USTRALIA		9.500	08/03	119.0828	+0.953	6.83	6.83	7.13		
SELCIUM		9.000	03/03	112.7500	-0.050	7.11	7,08	7.12		
ANADA "		7,500	12/03	105.0350	+0.555	6.61	6.05	7.30		
HAMMARK		8.000	05/03	109.1500	+0.650	8.68	6.71	7.15		
TANCE.	BTAN OAT	8.000 8.600	06/98 04/03	109.0990 115.8700	-0.048 +0.070	5.72 6.25	5.78 6.34	8.24 8.79		
SERMANY		6.500	07/03	101,5450	-0.100	6.28	6.32	8.53		
TALY		11.500	03/03	111,3600	-0.185	9.881	10.21	11.00		
APAN	No 119 No 157	4.800 4,500	06/03	· 105.0909 102.3703	+0.249 +0.532	3.74 , 4.16	3.83 4.21	3.95 4.15		
ETHERLA	ND\$	7,000	02/03	105,8900	-0.030	6.15	6,16	6.38		
PAR		10.300	06/02	106.5000	-0.175	9.17	9.37	10.28		
K CALTE		7,250 8,000 9,000	03/98 06/03 10/08	103-18 107-10 114-28	-2/32 +1/32	6.34 6.95 7.36	6.38 6.93 7.33	6,75 7,53 7,99		
IS TREAS	JRY -	5.750 6.250	06/03 06/23	102-00 101-04	+8/30 +11/32	5.48 6.17	5.67 8.22	5.92 6.70		
CU (Franc	h Govij	8.000	04/03	108.4800	-0.020	6.77	6.80	7,26		
Gross art	CO (Prench Gove) 8,000 bar(5 100,4800 -0,025 100,4800 -0,025 225 225 225 225 225 225 225 225 225									

of the market, the two-year note was slightly firmer, up $\frac{1}{24}$ at $100 \frac{1}{10}$, to yield 3.826 per

The morning's economic news - an 8,000 increase in weekly initial jobless claims had little impact on market sentiment, which remained bullish but wary of pushing already expensive Treasuries

to new highs.

NEW INTERNATIONAL BOND ISSUES

quiet trading, the only area of activity was from buyers pick-ing up securities as part of interest-rate swap business. and from holders of mortgagebacked securities. Prices were also supported

by the lack of supply.

Apart from the weekly bill auctions, the market does not face Treasury sales of new gov-

ernment debt for another

Sec.2003 0.375R +38 (61/5)-03 Senate Nationale de Pade

INDIAN companies are returning to international capital markets following an easing of investors' concerns it was not until November about last year's financial scandal in Bombay and this

year's sectarian disturbances. Indian businesses see international capital issues as a vital source of funds for modernising industry, in the wake of the economic reforms started two years ago by Mr PV Narasimha Rao, the prime.

return to tap

global investors

Two companies tapped the Euromarkets last month for a combined total of about \$150m. At least six further companies plan to raise more than \$400m by the end of the year. The offerings come amid

New Delhi and R C Murthy

signs of growing interest in india among international fund managers. Foreign investors have put about \$450m into the Indian stock market in the past six weeks, contributing to a strong surge in share prices.
Mr Udayan Bose, chairman
of Creditcapital Pinance.

Corporation, a merchant bank Brothers, the UK investme bank, said yesterday international investors were becoming interested in India because the rush to invest in : Latin America anti Chine was

The first Indian lessuer to tap the international markets was Reliance Industries, the Reg-ship company of Reliance, a

raised \$150m in May 1999 Other companies wanting to follow Reliance were forced to postpone their plans because of the securities market scandal among banks and brokers in the Bombay bond market.

that the second issue was launched - by Grasim India tries, a textiles maker belone ing to a grouping headed by Mr. preneur. The destruction of the Ayodhya mosque on December 6, which sparked riots and concern about India's stability. forced other issuers to shelve plans once more, Indian companies finally

returned to the market last dalco, an aluminium maker also controlled by Mr Aditya Birla, and Essar Guisrat, a diversified group with interests in steel, shipping and trading. Each raised about \$75m. Next in line is Southern Pet.

ration a Madras-based patro chemicals group, with a \$60m to \$75m issue of global d tory receipts next month. This will be followed by a \$100m convertible bond issue from the Shipping Credit and investment Corporation of India, a stipping finance group, and \$75m to \$100m convertible hond issue from ITC, a tobacco and hotels company in which BAT of the UK has a stake

This week Mahindra . Mahindra, a vehicle maker, bond offering.

Eurosterling sees first Mexican offering in two years

BOTTOWER US DOLLARS

STERLING Barcomed (Grand Cayman)

AUSTRALIAN DOLLARS

Treasury Corp. of Victoria

WISE FRANCS

utomo Crp. O'seas Capt.(d)

FRENCH FRANCS

By Antonia Sharpe

THE Eurosterling bond market yesterday saw its first Mexican offering for two years when Bancomext, the state-owned import and export bank, raised 275m through an issue of seven-year Eurobonds.

INTERNATIONAL BONDS

The bonds, which carry a coupon of 8t, per cent, were priced to yield 200 basis points above the 9 per cent UK gov-ernment bond due 2000.

This represents a price improvement of 25 basis points for a Mexican state-owned entity in the Eurosterling market. When United Mexican States raised £100m through a seven-year issue two years ago. it paid 225 basis points over the underlying gilt. Although the spread has since tightened to 215 basis points, the price has risen to a large premium to par

and the bonds have become

Syndicate managers said yesterday's deal indicated Mexico had bowed to market pressure regarding the pricing of its Eurobonds, at least for now.

in recent months. Mexico has been pushing for a spread of less than 200 basis points. Investors, however, are unwilling to buy its Eurobonds below this threshold until the country has achieved an investment

The lead manager, Samuel Montagu, said Bancomext was seeking to diversify its funding base by issuing in sterling. When the bonds were freed to trade, the spread narrowed slightly.

Meanwhile. Standard & Poor's, the US credit rating agency, assigned a speculative grade rating of BB- to Argentina's dollar-denominated foreign debt. The S&P rating is one notch above Argentina's B1 rating assigned by Moody's. S&P said although the rating was supported by Argentina's economic transformation, it was constrained by the country's large foreign debt burden relative to exports.

Argentina's net external debt, estimated at 206 per cent of exports, is the highest among sovereigns rated in S&P's BB category.
"Strict fiscal discipline will

be essential for some time to come to secure recent improvements in credit-worthiness, given the country's past record of economic and political instability," S&P said. Elsewhere, Tchibo Holding.

the German chain of high street coffee shops, made its debut in the international bond market with a DM300m offering of 10-year Eurobonds. The bonds, which carry a coupon of 614 per cent, were

priced to yield 43 basis points

over underlying bunds. The

spread tightened rapidly to 35

basis points, reflecting the

strong demand from domestic

retail investors for this house-

hold name. The yield pick-up of Tchibo's issue over other

Eurobond issues with the same

maturity also contributed to

the success of the deal. For

example, Volkswagen's 10-year

Eurobonds were trading at a spread of around 33 basis

Sep.2003 2,125

points over bunds. Tchibo, which is unrated, said proceeds from the issue would be used to improve the

balance sheet. It said Tchibo had wanted to take advantage of the favourable market conditions, but that it had no further plans to tap the interna-

Liffe rethinks bono trade

THE London International Financial Putures & Options Exchange (Liffe) may relaunch its unsuccessful Spinish gov-erament bond (benos) contract market-maker system to boost liquidity, according to traders.

Such a system obliges firms to keep a presence in the pit.
Three weeks age, Liffle suspended the December con-

and began reviewing the con-tract. The September contract which was not suspended traded 17 contracts has mout

tracies more than 10,000 del Banco Bilbao Vizcaya (BBV) which in June became the first Spanish bank to obtain a sect on Liffe, may become one of a small group of market-makers

MARKET STATISTICS

500

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Up to Syrs. Over 5 yes. Up to 5 yes. Over 5 yes. 3.41 3.42 3.41 2.51 3.27 1.71 3.09

7.79 8.19 8.33

Slough Estates drops to £29m

By Vanessa Houlder, **Property Correspondent**

SLOUGH ESTATES, the UK's largest industrial property company, yesterday announced a 14.5 per cent fall in pre-tax profits to £28.5m for the six months ended June 30.

Sir Nigel Mobbs, chairman was cautiously optimistic about the group's prospects, saying that there had been a significant" increase in inqui-

ries for space.
"As economic recovery becomes more evident and husiness confidence returns, so I become more optimistic of the medium-term prospects of the group for both improved property occupancy and values." he said.

The profit decline mainly reflected a reduction in the amount of interest capitalised. Profit before interest and tax rose 18 per cent to £57.2m. FRS 3, the new accounting

IN BRIEF

BARDON GROUP has received

acceptances totalling 172m new

ordinary shares (90.96 per cent)

BURLINGTON GROUP

reported profits before tax of

£64,000, against £54,000, for the

half year to June 30. Earnings

to 0.39p. Net asset value was

ended March 31 made profits of

£402,000 before interest and

tax. Greenacre now has 12

homes and 575 beds under

HEADLAM GROUP has

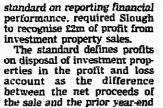
received acceptances in respect

of 4.51m (96.8 per cent) of its

rights issue. The balance has

operation or development.

of its recent rights issue. BRITTON Group has received



At June 30, the group had net borrowings of 2663m and shareholders' equity, based on December 1992 valuations, of about £1.07bn. Net gearing was per cent at end-1992. The £147m rights issue in March was 87 per cent taken up.

Earnings per share fell from 6.5p to 4.4p. The interim dividend is unchanged at 3.1p.

book value.

Slough Estate's share price, which closed 1p down at 241p, bas nearly tripled in value over the past year, reflecting a sea



Sir Nigel Mobbs: significant increase in inquiries for space

change in sentiment towards the sector. A year ago, Slough was cutting its dividend and worrying about the dim prospects for any short-term improvement in the property market. Yesterday, it was pointing to a sustained improvement in business confidence and a significant increase in inquiries for space, making it sufficiently optimistic to plan a new speculative development on its Slough trading estate. Nonetheless, anyone looking for hard evidence of an improvement in the underlying property mar-ket in yesterday's results would be disappointed. In the UK, occupancy rates actually fell as success in letting new buildings was offset by tenant failures and lease expiries. The likelihood of slow, if steady, progress on the letting front will restrict Slough's scope to increase its dividend for several years. That leaves potential investors with a solid, but unexciting, prospect of a near-average yield for the sector

and a share price that is at a slight discount to the company's likely year-end net asset

Exceptional redundancy costs leave Weir down 10% at £16.7m

acceptances in respect of 129m new ordinary shares, representing 97.72 per cent of the WEIR GROUP, the engineering total number offered. Subscribcompany with about 60 per cent of its sales overseas. ers have been procured for the remaining shares at a premium reported a 10 per cent fall in and the proceeds will be dispre-tax profits for the half year tributed to qualifying share-

to July 2. The decline from £18.5m to £16.7m was after an exceptional item of £2.43m covering redundancy and reorganisation

Operating profit rose to

per share improved from 0.28p £14.8m (£14.6m). All but £100,000 of the excep-18.78p, up from 18.13p at the tional charge related to severance pay for the loss of 200 employees, reducing the workforce to 6,700. The scale of the job cuts surprised analysts. The group said there were unlikely to be further reduc-

December year-end and 17.52p at the end of June 1992. EXPLAURA Holdings: Credit Suisse has acquired 5m ordinary A shares (6.13 per cent). tions in the second half. GREENACRE GROUP has Turnover rose to £223.5m bought the assets and business of Clare Hall Nursing Home in (£194.8m.) Earnings fell to 7.4p Ston Easton, Bath, for £2.12m cash. Clare Hall is registered for 65 elderly, general medical patients, and for the year

(8.2p). The interim dividend is

raised to 1.925p (1.75p). Lord Weir, chairman, said the company had a flat half. but was confident that orders would pick up in the UK. The level of inquiries

remained encouraging, although a fall in spare part orders and bookings would affect the second half. The outlook on the Continent was worse than expected. "The cut in prices has more

than swallowed up our exporting advantage since the UK left the European Exchange Rate Mechanism last year." The period ended with £67m

net cash, against £52m at the end of 1993. Lord Weir said he was pleased with the recent acquisition of Darchem, and the group was looking at further

For a company as predictable as Weir, its announcement of a £2.4m redundancy and reorganisation charge took the market by surprise. But the lay-off of 200 employees appears to have more to do with productivity gains than a serious downturn in the group's markets. The built-in strength of long-term contracts has enabled the group to largely buck the recession which has affected many of its competitors. The profit fall is disappointing, but was mainly because of the exceptional charge. It would also be unfair to forget that last year's performance was particularly good even by Weir's standards. With forecast annual pre-tax profits of 237.5m the shares - down 30p to 318p - are fairly priced on a prospective multiple of 19.

Hambro Country back in black

8,093 mortgages worth £364m

By Vanessa Houlder, Property Correspondent

A PICK-UP in activity in the housing market restored the profitability of Hambro Countrywide, the estate agent and financial services chain, which profits of £13.2m for the halfrear ended June 30, compared with an adjusted loss of £3.87m

English Trust stake

English Trust Company, the

investment management and

declare the offer unconditional.

in Greyfriars Inv

HELICAL BAR has received acceptances in respect of 26.2m. for the same period in 1992. new convertible preference shares, representing 90.85 per was accompanied by the resto-

cent of its recent rights issue. OCEONICS Group: some 1.08m convertible preference shares were applied for under the open offer which closed yesterday, representing 23.4 per cent. Therefore, the total take-up of

30. Net revenue for 12 months was £173.927 (£230.368) for earnings of 3.9p (5.1p) per share. Proposed final dividend held at 2.5p for maintained total of TR RIGH Income Trust reported a net asset value of

PRIMADONA: Net asset value

341p (181p) per share at June

120.9p per share as at June 30, against 110p at the December year-end and 101.1p at end-June 1992. Net revenue for the six months amounted to £802,000. up from £683,000, for earnings of 3.18p (2.66p) per share. Dividends of 1.6p have already been paid for the current year and directors intend to maintain the total at 6p.

together with a higher market and 9,458 life assurance polishare by its estate agency chain and an improved contribution from Wright Oliphant and the Hambro Countrywide Relocation's asset management

activities. The results included a gain remaining stake in Hambro Legal Protection to Hambro Insurance Service Group.

At the end of June, the group The return to profitability had 452 estate agency office, which sold 23,263 houses in the ration of an interim dividend first six months, a 17 per cent increase over last year. The The turnround in the compaaverage price of houses sold ny's fortunes was attributed to fell by 5.9 per cent to £61,750. the improvement in the hous-The estate agency base ing market, particularly in the financial consultants arranged first four months of the year.

Hambro said it was keen to expand its network of estate agencies, which it believed could be profitable in its own right and an effective distribution channel for financial ser-

It said it expected the Treasury's recent decision about the disclose of commissions and other charges in the life assurance industry to be neu-

tral on Hambro Guardian's competitive position. Earnings per share were 3.77p, compared to adjusted losses per share of 1.26p in 1992. The interim dividend compared with a total payment

of 0.05p last year.

DIVIDENDS ANNOUNCED Corres -ponding dividend 2.5

corporate finance group, has	Cattle'snt	1.9	Oct 29	
acquired 1m shares in Grey-	Churchint	3	Oct 22	
friars investment at 27% p per	EFTnt	0.46	Oct 29	- 1
	Gibbs and Dandynt	1	Oct 1	
share. This represents 14.29 per	GREint	2,65	Jan 4	- 1
cent of the Greyfriars capital.	Hambro Countryint	0.5	Oct 25	
English Trust will extend the	Irish Lifent	34	Nov 38	
offer to all Greyfriars holders	Life Sciences	1,4	Oct 29	1
	Mallet	0.5	Oct 14	1
at the same price.	McAlpine (A)IIII	3	Oct 18	
Jupiter Tyndall Merlin has,	Merlin Green Invint	1.7	Sept 30	
on behalf of its discretionary	Murray Incomefin	4.15	Oct 27	
clients who hold 28.33 per cent	Pegasus §nt	2	Oct 29	3
of Greyfriars, undertaken to	Pentlandnt	1.16	Nov 1	- 1
accept the offer only to the	Primadonain	8.6	Oct 5	5
	Rentokilint	0.84	Nov 8	0
extent that enables English	Slough Fetaton uni	3 14	Ore 14	- 4

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FINANCIAL TIMES

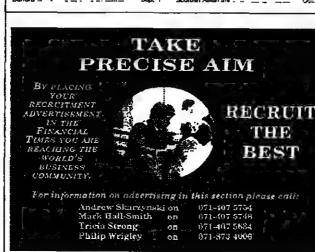
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.33 per cent	Pegasus §nt	2	Oct 29	3.5‡	-	9
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	Rentokilint	0.84	Nov 8	0.64	-	4.5 2.3
es English	Slough Estatesunt	3.1†	Oct 14	3.1	-	8.
ty and to	Weirnt	1.925	Nov 12	1.75	•	5.5
ry and to						

stock. #For part of 17 months period. #Irish currency, #Excludes 12p

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange Such meetings are usually held for the purpose of considering dividends. Official edications are not available to be whother the dividends are intermined the held of the stock of th	Calor Care Europe BS	Sep. 15 Aug. 31 Sep. 13 Sep. 8 Sep. 16 Sep. 16 Sep. 16 Sep. 18 Sep. 16 Sep. 8 Sep. 8 Sep. 19 Sep. 19 Sep. 19 Sep. 19
Blue Circle	Industrial Control Serv	Sep. 7 Oct. 11



Wolseley in £51m US buy

By David Blackwell

WOLSELEY, the heating and plumbing distributor, has turned its sights back to the US after several continental European acquisitions.

It is paying up to £51.5m for Erb Lumber, a distributor of lumber and associated products with 47 leased branches in Michigan, Indiana and

With Wolseley raising more than £100m through share placings with a wide range of institutions yesterday, further acquisitions are expected soon. The group is financing the Erb acquisition through a ven-dor placing of 8.1m new ordinary shares at 632p each. The

unchanged at 654p.

At the same time Wolseley placed another 8.7m shares raising a further £55m. The 16.8m shares represent about 6.8 per cent of the equity. The placings were separated to comply with Stock Exchange

requirements. Mr Richard Ireland, finance director, said yesterday that it seemed sensible to make a eash placing at the same time as the Erb placing as discus-sions were under way on fur-ther possible purchases. He declined, however, to give any

Erb Lumber, an 80 year old company, returned pre-tax profits of \$12.1m (£8m) last year on turnover of \$271.3m. Woiseley said the acquisition would substantially boost its US lumber business and more than double annual sales

of Carolina Builders Corporation of Raleigh, North Carolina, a wholly owned subsid-lary. Total US turnover for Wolseley last year was £997m. The group will pay 246.3m, about 90 per cent of the total

price, on completion. The bal-ance will be paid in two further instalments based on Erb's net asset value on August 31. In March, Wolseley reported a 41 per cent increase in pre-

tax profits of £47.6m for the six months to end-January on Analysts are looking for a

turnover of £1.1bn. full-year outcome of £110m or more when the results appear in October.

Two Hodder directors resign

By David Blackwell

Two directors of Hodder Readline, the independent publishing company, resigned yesterday. Mr Patrick Wright and Mr Tom Biggs-Davison were leaving by mutual agreement, said Mr Tim Hely Hutchinson, chief executive of the group which was formed in June when his Headline company took over Hodder &

Mr Brian Steven, managing director of the education division, and Mr Richard Stileman, managing director of Edward Arnold (Academic and Professional Division), will be appointed directors from September 1.

Mr Hely Hutchinson said the board changes contributed to the group's overhead reduction programme and clarified the management structure. Earlier this month Hodder made 72 staff redundant following the merger. Further redundancies will follow when Hodder's distribution centre near Sevenoaks is closed.

Pegasus

soars to

PEGASUS Group.

Expanding Rentokil dispels growth concern with rise to £67m

By Richard Gourlay

RENTOKIL, the environmental and property services company that recently bought Securiguard for £75.7m after a hostile takeover battle, yesterday went a long way towards dispelling concern that growth in its existing businesses was

running out of steam. The group reported a 30 per cent rise in pre-tax profits to 267.1m for the six months to end-June on sales up 20 per cent at £252.4m, and a near-30 per cent increase in earnings per share to 4.39p.

The interim dividend is increased by 31 per cent to

"We are pleased that the UK, North America and Asia have performed well against a back-ground of difficulties in continental Europe," said Mr Clive

Thompson, chief executive. Rentokil's bid for Securiguard, which has cleaning and personnel businesses as well as the manned property guarding business, alarmed some analysts who believed the group was diversifying into low mar-gin businesses and that the limits of organic growth were being reached in the existing

businesses. Mr Thompson said the types of businesses the group had acquired were low margin for some people but not for Rentokil who could charge people who wanted a quality prod-

The group pushed up margins in the UK, where an 8 per cent increase in sales to £93.3m

produced profits up nearly 30 per cent at £26.6m. Healthcare, pest control and hygiene showed steady growth

and tropical plants had grown very quickly. Property care, hit by the slowdown in the rate at which people have been mov-ing house, had also showed some benefit from the improvements in the improving econ-

Continental European sales rose by 25 per cent to £77.2m with profits up 32 per cent to £18.8m. France, Switzerland strongly while there had been some slowdown in Belgium

and Germany. Profits in North America rose 50 per cent to £5.2m on sales up a third at £29.2m. while Asia Pacific and Africa increased turnover by 30 per cent to £52.7m and profits by 44 per cent to £14.2m

Net cash at the end of the period was £73.3m.

plemented Life Sciences' range

of products, increasing con-

sumables from 5 to 20 per cent of the product whole. Since the end of the period

the group has also acquired

Alko Diagnostic, a maker of

consumables, for \$5.5m (£4.4m) and Memphis Biomedical Ser-

Consequently, group debt has risen to £30.9m, giving gearing of about 70 per

vices for up to \$1.5m.

Labsystems helps Life Sciences to 22% advance at £10.3m

By Peter Pearse LIFE SCIENCES International, the scientific instruments manufacturer, increased pre-tax profits by 22 per cent from 28.48m to £10.3m in the six months to June 30, helped by the May acquisition of Labsystems, the Helsinki-based

instruments group. However, Mr Simon Constantine, acquisitions and finance director, pointed out that about half of Labsystems' £1.54m trading profit contribution derived from a one-off shipment of about £1.1m to its equipment distributor in the US, on which few expenses

devolved to the enlarged

operations expanded to 28,64m. compared with £7.83m, with which Mr Constantine was "content", although he said that the group had had "no help from the market, especially in the first

quarter". But he said that the acquisition of Labsystems – for 23.5m funded by equity (£12m) and debt – had created a plat-form for the medium-term

growth of the group. Before the purchase, 67 per cent of Life Sciences' business

was in North America and 23 per cent in Europe. After the acquisition Labsystems' European bias had shifted the percentages to 56

Mr Constantine conceded bit stretched".

that the balance sheet was "a The interim dividend is lifted by 17 per cent to L4p compared with 1.2p, payable from fully

diluted earnings per share of 4.3p against 3.8p.

Virgin poised

to Hasbro

US toy company.

to sell 15% of

games offshoot

By Keres Zagor in New York

VIRGIN Communications, the

holding company for Virgin Group's entertainment, broad-

casting, publishing and pro-

duction interests, yesterday said it would sell a 15 per cent

stake in a subsidiary for about

\$25m (£16.8m) to Hasbro, the

The subsidiary, Virgin Inter-

active Entertainment, develops

and publishes interactive

entertainment games for Nin-

tendo, Sega and several com-puter platforms. The company has licensed a number of Has-bro products in the last five

years including the Monopoly

Virgin and Hashro have also

agreed to form a joint venture within Virgin Interactive to

develop and market Hashro's

existing products and other

properties. The Hashro stake in Virgin

Interactive, which is subject to

regulatory approval, will dilute the holding of Mr Rich-

ard Branson, who controls the

Mr Robert Devereux, chair-

man of Virgin Interactive and

Mr Branson's brother-in-law,

said: "The proceeds from Has-

bro's investment will provide

VIE with increased financial

flexibility as strategic opportu-nities arise to expand the busi-

ness." The two companies plan

to work together in product

development, marketing and acquisitions.

company.

and Risk beard games.

4.3

 $a_{ij} \in \mathbb{R}_{n}$

~ (, 44)

S (5)

and 55 per cent respectively. As well as geographical bal-Trading profits of continuing Irish Life lifts premium

income by 9% to I£340m

By Tim Coone in Dublin

IRISH LIFE, the largest funds manager in the life and pensions market in Ireland, reported a 9 per cent upturn in premium income to IE340.2m (£318.8m) for the six months to June 30 1993. investment income improved

(£144.8m). The main growth in business

occurred in the US through the Interstate subsidiary, where premium income almost doubled from 1£32.5m to 1£62.3m. Mr David Kingston, group

managing director, said new recurring premium business in the core Irish market had declined slightly "because of the taxation situation in ireland, which benefits short-term savings at the expense of long-term invest-

ments and a general lack of buoyancy in the savings mar-He said a marked capital appreciation of 18445.8m on

SINGER & Friedlander has netted £30.8m from the sale of

applications. The deal involved the plac-

ing by Credit Lyonnais Laing with a number of UK institu-

linked investments was result of strong advances in equity prices since devaluation of the punt last January, while the sharp drop in interest rates which had paralleled this development had improved the perspectives for new single prelum business. The cashing in of single pre-

cant source of the downturn inpremium income in the full year accounts to the end of 1992, and according to Mr Kingston, continued to be "a major problem in January" prior to the devaluation. Claims and the cashing in of policies, which have grown sharply from 12305m to 12425m in the first half this year, "are now running back at historic levels", he said.

Group total assets have increased by 12713m to 124.95bn since the end of 1992. No embedded value figure was given with the interim results, which Mr Kingston said was standard industry practice.

tions of 19.1m shares, nearly

Friedlander pre-tax profits. Book value of the investment

at that date was £18.9m.

ACT deal nets S&F £31m

its entire shareholding in ACT Group, which is primarily engaged in the supply of com-puter software and services and the design and development of business computer

10.4 per cent of the capital, at-161%p. In the market yesterday the shares slipped by 1p to 175p.
For the year to September 30 the investment in ACT contributed some £2.7m to Singer &

NEWS DIGEST

compared with 3.5p from 3.8p last time, which was part of a £1m halfway back in the black the

USM-quoted producer and distributor of accounting software, trebled pre-tax profits in the first half of 1993 to £1.02m. For the 1992 period to July 31 the figure was £335,000. Revenue was boosted by the

mainstream Pegasus Senior product and statutory upgrades, said Mr Jonathan Hubbard-Ford, chief executive. The impact of those upgrades would not recur in the second half and software sales would continue at reduced levels despite the introduction of Pegasus Opera

introduction of Version 6 of the

in the final quarter.
The benefit of integrating the Pegasus Supply business with Stockforms had become increasingly evident. The group was in a period of

transition as resources were

increasingly committed to the development and marketing of Pegasus Opera, Mr Hubbard-An interim dividend of 2p is declared, payable from earn-

17 months accounting period. Gibbs and Dandy

Dividends are resumed, after a three year lapse, via a 1p interim. Barring unforeseen circumstances, a second interim of at least 1p will be payable on April 5.

improvement largely reflected the cost benefits of actions taken in the previous two years and continuing tight nanagement of overheads. Interest costs fell from £213,000 to £74,000.

Turnover edged ahead to £11.4m (£11.3m) and generated

operating profits of £366,000

at Mallett

Gibbs and Dandy, the builders'

merchant, swung from losses of £92,000 to profits of £292,000 pre-tax for the half year to

Earnings of 2.5p compared with previous losses of 1.2p. Directors said the profits

Sharp turnround

ings per share of 9.4p. That returned to profit in the first

half of 1993, making £409,000 pre-tax. Last time the loss was £485,000. Turnover rose from £3m to £5.13m as business gradually improved over the period with very good result in June.

> the company would have liked but that was the result of selling a number of items on com-The directors stated sales in the second half have so far held up well. Earnings per share were

1.98p (losses 3.51p). Interim dividends are restored with a pay-

Margins were not as high as

Net assets rise at Murray Income Murray income Trust had a net

ment of 0.5p.

asset value per ordinary and B ordinary share of 317p at June 30, compared with 260.2p a year Net revenue for the 12 months slipped from £3.87m to £8.75m and earnings per share

came through at 10.49p A final dividend of 4.15p (49). Mr. Hampson exercised is proposed for an improperty 114.872 share options at 540p a total of 10.9p (10.6p). For the share and sold them at 690p. year to June 1994 the directors. He still has options are forecasting a final of 4.3p.

The trust is managed in Glasgow by Murray Johnstone.

Merlin Intl Green lifts dividend

At June 30 net asset values of Merlin International Green investment Trust were 58.71p for the ordinary and 51.81p for the zero dividend share Net value per unit of one ordinary and one zero dividend

share came to 110.52p, against share came to thunge, against 90,530 a year earlier. In the half year gross revenue rose from £538,000 to £725,000, and net revenue after \$725,000, and net revenue after tax came to £484,000 (£269,000).

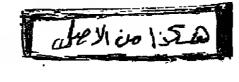
This yielded earnings per share of 1.92p (1.1p) and the interim dividend is 1.7p (1p).

ICI director makes £0.17m on shares sale

Mr Chris Hampson, executive director of Imperial Chemical Industries, gained £172,218 after exercising share options granted under its senior staff share option scheme.

Mr. Hampson exercised

He still has options over 67,638



Reduced interest receipts add to effect of closing lossmaking operation

US costs knock Pentland to £6.7m

By Maggie Urry

LOSSES AND closure costs at its US trade finance business and lower interest receipts hit Pentland Group in the six months to June 30.

After bearing costs of £9.5m

connected with the US operation, the consumer brands company was left with reduced pre-tax profits of £6.7m, against £19.7m, on an FRS 3 basi The share price fell 7p to

106p. However, the underlying improvement in operating profits from continuing businesses ciates was 14 per cent and the interim dividend is raised to 1.160 (1.040).

Church

more than

doubled at

CHURCH & Co, the shoe

maker and retailer, more than

doubled pre-tax profits from

£244,000 to £565,000 in the six

months to June 30 on sales up

11 per cent to £33.1m.
The company attributed the

advance to a sharply improved

performance at Church Foot-

wear and Joseph Cheaney, the

UK manufacturing subsid-

jaries and at A Jones, which

Profits from Belgium were

French retail company

The interim dividend is

maintained at 3p on earnings

incurred a small loss.

Jones shops in the UK.

£565,000

profit on the sale of Pentland's 20 per cent stake in Adidas, the sports goods company, realised

Mr Stephen Rubin, chairman, said the results were "clearly disappointing." Finch-side, the US trade finance subsidiary which financed imports to the US, had been hit by bad debts. It lost £2.2m in 1992, of which £2m was in the second

Mr Rubin said: "After careful consideration we have discontinued this activity as it was not central to our strategy and were no longer satisfied with the risk-reward ratio in

In the half year under review

it suffered trading losses of £2.8m and made a £6.7m provision for closure costs.

Mr Frank Farrant, finance director, said the business had been set up more than three years ago and made profits in the early stages. But US recession had hit importers, losses escalated and Pentland decided to "bite the bullet."

He said: "With the benefit of hindsight, we made an error of Group turnover increased 32

per cent to £198.4m, with acquisitions chipping in £28.2m and continuing operations increasing their contribution by 13 per cent to £168.1m. Operating profits from con-tinuing businesses fell by £1m

per cent stake in Authentic Fit-ness, the quoted US distributor for the Speedo swimwear brand in North and Central America, were £1.7m (£1.5m).

to £3.4m. Growth from the

Speedo swimwear business was offset by weakness in the foot-

wear and international trade

Mr Farrant said shifts in

fashion had turned against

trainers, although Kickers,

Acquisitions, notably Woods

Wire, a US electrical goods

group, and Berghaus, the UK specialist outdoor clothing

Associate profits, from the 26

company, contributed £1.6m.

services divisions.

had fared well.

of lower interest rates on its £252.9m cash pile.

Cantab

poised for

CANTAB Pharmaceuticals, the

UK bio-pharmaceutical com-pany quoted on Nasdaq in the US, is to come to the London

market through a placing or open offer likely to raise

In July last year the com-pany sold Im shares at \$10 (670p) in an initial public offering, since when the stock

has slipped to about \$8 in line with a fall that has hit much

of the US bio-technology sec-

The company also raised

\$5m through a private placing in the US earlier this year. Mr Paul Hancock, chief exec-

utive, said it had always been

the group's intention to raise

noney in its home market. Like many of the bio-tech-

nology companies that have

come to the market. Cantab is

some way from developing a marketable drug. The candi-

date drug it currently believes most likely to make it to mar-

ket is LM-CD45, a white blood

cell modulator which it is developing in collaboration

with Baxter Healthcare, the

large US corporation.
The drug, if successfully

developed, would be used to prevent rejection of kidneys

after transplant operations

and could replace the use of

immuno-suppressive drugs.

The product is currently in stage 2 clinical trials which

means that at the earliest it

will make it to market in 1997.

The three other products

Cantab expects to go into clim-

cal trials shortly would not be

mer head of immunology at

Cambridge University. It is

pursuing research in organ

transplant rejection, cervical

In the eix months to June 10

on the market before 1998. The group was co-founded in 1989 by Mr Alan Munro, for-

between £15m and £20m.

listing in

London

because of the US losses, and after the special dividend there was a transfer from reserves of £46m (profit £9.5m).

Earnings per share were 0.41p (3.69p) or 2.27p adjusting

for the closure provisions.

At the year end the group had net cash of £347.8m, but this had fallen to £252.9m by the period end after the £43.3m cost of the special dividend and £42m spent on acquisitions, including two US footwear

Mr Rubin said the group was

seeking "further suitable

Consumer credit boost for Cattle's

By David Blackwell

CONTINUING strong demand for consumer credit lifted interim profits at Cattle's Hold-

ings. The pre-tax outcome amounted to £6.9m, compared with £6.66m.

However, under FRS 3. last year's figure was restated from the originally reported £5.2m before an exceptional gain of \$1.4m from profits on the flotation of a 55 per cent stake in

Roseby's, the curtain and linen stores group. Turnover from continuing operations rose to £98.7m, up from £94.8m. Turnover for the consumer

credit division, led by Shopa-

check, the door-to-door weekly credit business, rose to £77.8m

from £72.4m. Profits rose 32 per cent from £5.1m to £6.8m. Mr Eddie Cran, chief executive, described the consumer credit division's performance as exceptionally good. He attributed the profit rise to control of bad debt, containment of costs, interest rate cuts and an increased customer base. The corporate services sec-

tor, with turnover of £7.05m. (£8.12m), reduced losses from £265,000 to £19,000, Mr Cran predicted that the problems caused by recession were coming to an end, and that the division would return to the black by the end of the year. The insurance services division reported a steep fall in turnover of £10.7m (£10.9m). Mr Cran said the division had lost clients to direct line insurers While the group was confident of winning clients back, it fore cast the results of this division to be below expectations for the year as a whole.

Earnings per share were 4.25p, compared with a revised 4.25p under FRS 3. Last time's earnings were originally 3.16p. The interim dividend goes up to 1.9p (1.6p).

EFT achieves gain of 25% to £881,000

EFT Group, the provider of asset finance, lifted pre-tax profits by 25 per cent in the six

months to June 30. Revenue fell slightly to 23.67m (£3.7m) but the pre-tax result came out at £881,000 against £706.000

man, said that trading since June 30 had continued at the buoyant levels achieved in the first half. He expected the new commercial vehicle contract hire and truck rental division to make a small contribution to second half profits.

is raised to 0.46p (0.4p).

Mr Hamish Grossart, chair-

cancer, genital herpes, genital warts and inflammatory bowel 1993, Cantab lost £1.2m, compared with a deficit of £1.4m in the year to end-December. It has each of about 28.1m.

Barclays de Zoete Wedd is adviser to the issue. A prospectus is expected within the next

Alfred McAlpine deficit widens to £2.5m

By Andrew Taylor.

ALFRED McAlpine, the UK construction and building materials group, suffered an increased pre-tax deficit of \$2.5m for the six months to April 30 1993. The outcome compared with

sponding period.

Mr Oliver Whitehead, who
was appointed chief executive in May, warned that large areas of the UK construction

losses of £71,000 for the corre-

market remained deeply Reports of a recovery had been greatly overstated, he said. Even if increased spending on infrastructure was approved now by government

and private sector utilities. it would take several years for projects to come to fruition.

Mr Whitehead said that min-

isters had recently announced ambitious plans for widening motorways and improving railways but had so far not indicated where the money was coming from.

Group turnover in the first half had fallen from £250m to £241.3m. After all deductions the group incurred losses per share of 3.3p, compared with earnings of 0.2p at the corresponding stage last year. The company, however, opted to pay a maintained interim divi-dend of 3p. nd of 3p.

There were some bright spots, directors said. The UK housing market had begun to recover, while construction activity was increasing in North and South Carolina, where McAlpine's US interests

are mainly based. Pre-tax profit in the US during the first half fell from 2528,000 to 285,000 due to a wet winter and losses on two contracts. Profits, but for these two contracts, would have been about the same level as the previous year, said Mr Whitehead

He expected US profits to be higher for the full year. UK housing profits were also expected to rise after a sharplyreduced first half loss, down from 21.33m to \$254,000. The

Alfred McAlpine Share price relative to the FT-A AE-Share Index 190 - -----150 120 ---110 -100

August ...

Spurce: FT Graphia number of house sales rose from 469 to 593 while operating margins rose from 3.3 per cent

to 4.7 per cent.
On the UK construction side which in last year's first half made a £2.02m profit, losses of £486,000 reflected the difficult trading conditions and a £750,000 exceptional loss on

UK aggregates incurred a loss of £161,000 compared to a 2490.000 profit.

 $\gamma = 2 + k \frac{1}{2}$

 $\mathbb{N}_{1,2} \times \mathbb{N}_{2,2}^{2}$

100

• COMMENT

McAipine's share price has outperformed the FT-A All-Share index by more than 70 per cent since January 1. A 2p fall to 213p, after yesterday's announcement, still left the shares just short of their high for the year of 218p. The efforts of Mr Whiteheads's predecessor Mr Graeme Odgers, now chairman of the Monopolies and Mergers Commission, in reducing costs has left the company well placed to take advantage of a recovery. The businesses and the balance sheet, with gearing of only 22 per cent, are soundly placed. Pre-tax profits this year could reach 55m, producing earnings just sufficient to cover a maintained total dividend for the year of 6.5p. It is difficult, however, to envisage the share price continuing to outperform while the UK housing recovery shows little sign of spreading to other areas of construction.

operates all the Church and advance to £1m at Bostrom The situation overseas, however, continued to be difficult. The US and Canadian companies sustained losses in highly competitive trading conditions profits were flat, though AJW chipped in £135,000. and moves were under way to strengthen Canadian manage-BOSTROM, the vehicle seating

Acquisition behind 26%

and specialist engineering group, lifted pre-tax profits by 26 per cent to £1m in the six marginally lower and the months to June 30 thanks to the acquisition in February of AJW Holdings and the turnround to profits of its joint ven-

per share of 2.8p (1.9p). A Jones benefited from The improvement, from improved trading conditions £796,000, was struck on turnfor UK shoe retailing and over of £24.2m (£17.1m) of achieved a turnround from which AJW, a fellow automotive components maker losses of £26,000 to pre-tax profits of £279,000. Sales rose acquired for an initial £1.79m, contributed £3.66m. Operating 8 per cent to £14.8tn.

interest payable rose to £231,000 (£201,000) because of the £2m debt that AJW carried. but Bostrom benefited from a £160,000 profits (deficit £73,000) contribution from BFA UK, the joint venture making sesting frames and components for

Mr Colin Howell, managing director, said the group had seen higher sales to both Jaguar - "admittedly from a very low base" - and Land Rover. where the Discovery had greatly increased volumes. Vol-

and Honda and, even though they fell at Ford, Bostrom lifted its market share

Continental Europe was "hurting the seating division, but this was compensated for by Japan, Australia and the improved UK market," said Mr Mr Howell said that current

order books were "much stronger" than they had been a year Earnings per share rose to

5.1p (4.5p) and the interim divi-

dend is maintained at 2.5p.

DATE: 23.08.93

Earnings rose from 1.49p to 1.79p and the interim dividend

INDUSTRIVÄRDEN

INTERIM REPORT JAN 1 - JUNE 30, 1993 ----

■ Consolidated earnings after financial items but before sales of listed stocks and CPN interest totaled SEK 121 (291) for the first six months of 1993. Including sales of listed stocks, totaling SEK 309M (-52). Group earnings amounted to SEK 430M (239)

The value of the portfolio of listed stocks on August 20, 1993, was SEK 9,7 billion, with hidden reserves totaling SEK 6 billion. Adjusted for purchase and sales, the value of the portfolio has risen by 56

percent since the beginning of the year. The General Index has risen by 43

■ Net asset value as per August 20, 1993, was calculated at SEK 264 per share and CPN.

■ The earnings forecast for 1993 has been raised to SEK 200M. Including the result of sales of listed stocks during the first half, this entails earnings of approximately SEK 500M.

Industrivärden Group Income Statement January 1 - June 30, 1993

(SEK M)	1993 Jan-June	1992 Jan-June	1992 Jan-Dec
Invoiced sales	5,676	5,542	10,948
Manufacturing, selling and administration costs	-5,025	-4,862	-9,646
Operating earnings before depreciation	651	680	1,302
Scheduled depreciation	-356	-293	-624
Operating earnings after depreciation	295	387	678
Financial income and expenses:			
Dividend income	164	212	213
Interest income	30	. 57	105
Interest expenses (excluding CPN interest)	-379	-364	-756
Other financial items	11	-1	18
Earnings after financial Items	121	291	258
Capital gains/losses from sales of listed stocks	309	52	-29
CPN interest	-45	-45	-90
Earnings before extraordinary items	385	194	139
Extraordinary income and expenses	. 0	8	В
Earnings before taxes and minority interests .	385	202	- 147

AB Industrivarden Box 5403, S-114 84 Stockholm, Sweden Telephone +46 8 666 64 00 Telefax +46 8 661 46 28

SUB: Charter hiring of one/two nos. of Multipurpose Support Vessels (Type-II) against tender no. BRBC/OBG/MAT/APT(AB)/MSV-II/204/93-94/OT-1235

GLOBAL NOTICE INVITING TENDER

OIL & NATURAL GAS COMMISSION

BOMBAY REGIONAL BUSINESS CENTRE

OFFICE OF THE GENERAL MANAGER (MM)

5-A, VASUDHARA BHAVAN, BANDRA(E), BOMBAY 4000 51

TEL: 6429901/6404163, TELEX: 011-71010, FAX NO: 6400282.

Oil & Natural Gas Commission, Bombay Regional Business Centre invites sealed bids from prospective bidders for charter hiring of one/two nos. of Type-II Multipurpose Support Vessels. Period of charter hire shall be for 2 years with ONGC having option for extension for a further period of 2 years (in the installments of one year each) on the same terms and conditions, but on the mutually agreed rates.

Marine Experience:

Bidder or their back-up company must have a minimum of 3 years experience of managing/operating of dynamic positioning diving support vessel/Multipurpose Support Vessel.

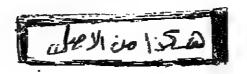
Diving Experience:

Bidder or their back-up company must have a minimum of 3 years experience of planning and carrying out underwater jobs as per scope of work stipulated in the tender documents.

- 3. The closing date of the tender is 17.09.93, 1400 hrs. (IST) and tender is on sale.
- The tender documents can be purchased by paying crossed demand draft of US\$ 1,000/- or Rs. 30,000/-drawn in favour of Oil & Natural Gas Commission from Oil & Natural Gas Commission, Bombay Regional Business Centre, Ground Floor, Vasudhara Bhavan, Bandra (East), Bombay -400 051.







Annual report with a difference boosts ethical approach

Andrew Jack looks at an unconventional company which applies 'social' guidelines to its trading strategy

A HIGHLY unusual document has been circulating in the boardrooms of the FT-SE 100 companies in the last few weeks. It is a plea for greater accountability and

a plea for greater accountability and information; and its source is not a pressure group, but a rival business.

The request comes in the form of a document designed to lead by example; an annual report with a difference called a "social audit". Its aim is to assess the social impact and ethical behaviour of the company in relation to its aims and those of its "stake-holders".

The 20-page glossy brochure provides beckground on topics such as the breakdown of costs and profits throughout the production process of a sample of products, a description of some of its suppliers, and figures on the composition and salary scales of the workforce.

The source for this information is an extremely unconventional com-pany called Traidcraft. Founded in 1979 in Newcastle upon Tyne, the business imports food, clothing and handicrafts from groups in the Third World. Its aim is to promote "fair trade" by buying at what it considers that the property of the pr just prices from suppliers who promote social and economic develop-ment in their communities.

Some of its principles have been challenged in the last few years by a deficit which threatened its future. It has changed management and restructured with the aim of being profitable and paying dividends.

However, the new mood has not

removed the directors' determination to keep sight of at least some of their radical origins. Traidcraft maintains a policy of offering the highest-paid

employee no more than three-times the wage of the lowest. Its objectives of promoting fair trade remain. Its social audit report is a development

out of these concerns. The idea of social auditing is not new. In a booklet* produced earlier this year by the company in conjunction with the New Economics Foundation, an alternative economics think-tank, it lays out the history of the process in the last 20 years. The authors are Richard Evans, Traidcraft's external affairs director, and Simon Zadek from the foundation.

In 1971, there was a social audit of the Upper Clyde Shipbuilders. A num-ber of similar assessments in the UK and US were carried out during the decade by Social Audit, established by the Public Interest Research Centre, largely without the co-operation of

Pressure for greater disclosure by companies developed, with guidelines from the Confederation of British Industry and limited extra disclosure requirements in successive pieces of company law covering political and charitable contributions and

employee welfare. In other countries, there has also been considerable attention paid to social accounting issues beyond the narrow confines of financial perfor-mance: companies in the Netherlands, Sweden, Germany, the US and India have produced reports. But the authors argue that the

missing ingredients have been anything systematic, comprehensive and regular. They are often focused around one particular event such as a factory closure, only consider certain products or regions, became rapidly dated, may be superficial, and typi-cally are not independently verified. There is also no framework to help guide disclosures and make them con-

Traidcraft's recent efforts certainly try to address these limitations. Its first tentative steps took place last year with a document called "Towards a Social Audit". It profiled two of its suppliers, analysed changes in its product range, made reference to market research into its mail order customers, and described its environmental impact. The full 1992-93 social audit document and process - which cost £20,000 - goes rather further. It considers its ability to maintain growth in sales and continuity of orders to help producers, the propor-tion of sales derived from the Third World, and shareholder participation.

he picture that emerges is not entirely positive: purchases fell from its profiled region - the Philippines - because of the UK recession, failure to generate sufficient revenues under Traidcraft's minimum target sales and inability by a supplier to deliver a promised product range. It documents concerns by some producers that the company failed to communicate sufficiently.

The report on employees raises some concerns about whether the company should pay a greater wage to those at the lower end of the salary scale, and on the ambivalence of non-Christian staff to the company's policy of only allowing Christians to sit on the board.

On environmental Issues, it admits it has generally been unable to trace products to source to judge whether

they are produced sustainably.
A three paragraph "auditor's report" written by the New Economics Foundation is not entirely posi-tive. It says: "We are satisfied that the (report) . . . offers an adequate basis for understanding key aspects of the social impact and ethical behaviour of Traidcraft in relation to its aims and

period in question." But it goes on to endorse the need to continue to develop the social audit method, apply more specific indicators and targets, focus on the effec-tiveness of lobbying and education work, give further emphasis to environmental aspects and develop additional forms of social book-keeping to

those of its main stakeholders for the

Traidcraft admits to a number of difficulties. It stresses that the report will evolve in the future, and that only next year can it begin to assess performance. It argues that it is difficult and dangerous to quantify too far, or to add up different numbers to attempt to produce a single overall figure of social profit or loss.

ease the audit.

There are, nevertheless, a number of weaknesses in the report. It fails on several occasions to clearly lay out its objectives and then assess them: using a graph which is all but impossible to read to highlight the growth in goods sourced from the Third World, for instance.

The report makes little attempt to justify its choice of assessment criteria or show how they are audited though much evidence according to the "Auditing the Market" booklet is apparently to be based on discussions with staff - which does not seem appropriate for issues such as how to

assess the impact of its educational

activities. It often cites highly anecdotal evi-dence, such as that there has been a 69 per cent increase in the last year on the time spent visiting producers to work on product design and development. This is interesting but smacks of gathering anything avail-able rather than systematic probing.

It raises the wider question of how

far the profiles of suppliers are always likely to be self-justifying. A producer of handicrafts may sound worthy of support because it also sponsors social welfare programmes in the community. But would the money be spent more productively or efficiently given to another local group whose sole concern was these social issues? In addition, It reflects the inadequacy of any attempts so far to meaningful define "fair trade" in any but very general terms. That will clearly hamper any effects to genuinely

assess the company's effectiveness.

More fundamentally, it highlights the fact that even the highly unusual shareholder base is apathetic and happy to let the company do its work. Without active discussion of its objectives, how can Traidcraft effectively debate what its ethical and social priorities should be?

Given the difficulties in yet refining its own methodology, let alone its rather unusual shareholder profile, it is also difficult to see many other companies following Traidcraft's lead in the short-term: welcome though that would certainly be.

*Auditing the Market, by Simon Zadek and Richard Evans. Traidcraft Exchange, Kingsway, Gateshead. NE11 ONE. 12.50

FINANCIAL PLANNER

£25,000 - £29,000 inclusive

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For an informal discussion of this position please contact: Nicky Cooper, Director of Finance, 51 Vincent Square, London, SW1, Tel: 081-746 6864.

For an application form and information pack please contact: Recruitment Services, Personnel Department, 4 Collingham Gardens, London, SW5 0HR, Tel: 081-846 6651 (24 hour application line). Please quote ref: SM/50. Closing date: 14th September 1993, Interviews held: 29th September 1993.

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Although you are an effective team player, you are also ready to take an independent line as your judgment demands. As with all roles at this level and beyond, you must be able to support a credible argument with a credible

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To meet this demanding challenge, you should be a chartered accountant with a minimum of seven to ten years' relevant experience in financial accounting and reporting including direct supervision of the accounting department. You should also be skilled in building and developing staff, managing the change process required through rapid growth and establishing efficiency in work practices. Strategic and conceptual fluency must be backed by analytical and problem-solving skills. A knowledge of a second European language is desirable.

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& SELECTION



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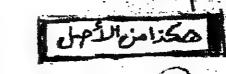
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Swaps Marketeers

Investment Banking - Europe

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Salary is negotiable with an excellent benefits package. Please forward full career details to Mrs Gillian Harris, Senior Manager Personnel, The Bank of Nova Scotia, Scotia House, 33 Finsbury Square, London EC2A 1BB.



Scotiabank

An International Securities House is currently expanding its Derivatives Division and now seeks to recruit a skilled Options Trader, to act as Floor Manager and participate in the

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act in a professional way to represent the reputation and good name of the comp

relationship between futures and options and options book management. Experience must have been gained in an international organisation. Candidates should also have a well established nerwork of international contacts to enable exchange of ideas and gathering of information on global options markets activities. The necessful applicant will be responsible for developing new and unrovative rechniques in openns mading, respecting the overall strategy of the company. He/she will manage a ream of pirnot readers and floor clerks and be responsible for training, developing and monvating juneous staff. Previous experience in this area would be an advantage. Responsibilities will also encompain the Floor training. ensuring compliance with all regulations relating to floor trading and ensuring the Floor team

OPTIONS TRADER

successful candidate will act as the main link between the floor and the in house Risk Manager. In terum an exciting opportunity is offered to assist in the development of a relatively new venture and play a significant part in establishing the company as a major participator in the To apply in the first instance send your c.v. and short covering letter for the attention of: David Miller, quoring reference 19989C.



4th Floor, Harling House, 47-51 Great Suffolk Street, London SET 0BS

Speculators drive gold price lower

By Kenneth Gooding, Mining Correspondent

GOLD PLUNGED through \$370 a troy ounce in late trading yesterday as New York speculators made a concerted effort to drive the price down.

selling orders from investement funds that use computer programmes to limit their ses. The gold price closed in London down \$3.75 at \$367.50 an ounce.

This is a very quiet time for much physical demand, so the

market is being driven by technical factors - and the technicals look horrible," said Mr Wiktor Bielski, analyst at Bain & Company, part of the Deut-

sche Bank group. He suggested that, if gold fell below \$350 an ounce, the next level of technical support was \$330. On the other hand, the price needed to stay above \$380 for a day or two if the present downward trend was to be

Gold has risen from a sevenyear low of \$327 an ounce in January to touch \$409 in early August, its highest level since January, 1991. Mr Bielski said that funda-

mentally gold was still looking good with jewellery demand still outpacing output from the world's mines. Also, the cen-tral bank selling which had bedevilled the market last year, had virtually dried up.

Palladium's price continued to fall sharply yesterday as the investment funds that helped drive the metal up from \$90 an ounce in late-1992 to a fouryear peak of \$146 in July turned into sellers at a time of

in London at \$122.50 an ounce.

day.

The metal is used mainly for anti-pollution car catalysts and by the electronics and dental industries. Mr Jeremy Coombes, author of Johnson Matthey's platinum group metcal supply of palladium was tight and JM still expected a supply deficit this year. He suspected that the Japanese had been hoarding physical metal because "the yen price has

Supply concerns lift coffee prices to fresh peaks

By Richard Mooney

ROBUSTA COFFEE prices renewed their uptrend at the London Commodity Exchange yesterday as trader followed through on Wednesday's late

Although the export retention scheme agreed by both Latin American and African producing countries earlier this month continued to underpin market sentiment, traders thought the latest upsurge, which took prices to the highest levels since the dollar contract was Isonched in March 1991, was mainly due

Second-position November futures closed \$23 up at \$1,263 a tonne, after touching \$1,273 a tonne at one stage. But the concern about nearby supply tightness that traders said was fuelling the rise was reflected in the fact that the prompt September position was up \$36 at \$1,308 a tonne.

The second position price has risen by \$61 so far this week and is now \$444 above the low reached four and a half months ago. Dealers told the Reuter news

agency that there appeared to be fairly limited nearby supplies available and with the uncovered position on the futures market declining only very slowly and remaining above 9,000 lots some of the holders of short positions were getting nervous and looking to take cover.

They said the next upside technical target was in the \$1,325 to \$1,350 a tonne area for the November position, but some thought the market had become overbought and were looking for a downside correction first.

• Cocoa prices also saw fresh peaks early in the day, but fell back after running into profit-

The rise, which took the December futures position up to a 22-month high of £824 a tonne at one point, was seen by traders as a resumption of the recent technically-based uptrend, which had been interrupted on Wednesday. They said bullish chart patterns coupled with concern about supply tightness and against a background a an expected forther drawdown from world

But resistance built up as £830-a-tonne mark and the December price drifted back to close at 2810 a tonne, up just

Wheat council raises world crop estimate by 11m tonnes stocks carried over from earbe severe in some regions, it says, and "storage facilities

By Richard Mooney

THE INTERNATIONAL Wheat Council has raised its forecast for world wheat production in 1993-94 by 11m tonnes from the level it was projecting last month. In the latest issue of its monthly Grain Market Report, published yesterday, it puts the crop at 573m tonnes, which would also be 11m tonnes up from actual output in 1992-93, and second only to the 1990 record of 592m tonnes.

The increase from last months report chiefly reflects higher projections for China (up 5m tonnes at 102m) and the Russian Federation (up 4m tonnes at 47m).

The report cautions, how-ever, that although prospects for Russian grain crops are reported to be generally favourable "some commentators have drawn attention to the possibility of heavy losses during, as well as after, harvesting". Shortages of equipment and fuel are reported to remain inadequate Other countries for which

estimates have been increased significantly since publication of the July report include the US (up 1m tonnes at 69m), Argentina (up 1.5m tonnes at 10.5m) and Canada (up 1.2m tonnes at 29m). However, the IWC's Canadian forecast is 1.3m tonnes below an estimate published this week by Statis-Hcs Canada.

The IWC's forecast for the European Community is reduced from 83.9m to 83m tonnes, which would be 2.2m

While overall av Nability of wheat is expected to n'are than adequate, the IWC war that there may me a problem with quality as "unfavourable h. yvesting conditions have pre vailed in many parts of the northern hemisphere". It sug-gests therefore that demand for good quality wheat may have to be met to some extent out of

1 - A

1.3

lier crops.

The lower quality wheat from the current crop may, in turn, help to redress the balance in the coarse grains sec-tor as it competes with maize in the livestock feed market. The report puts world course grain production in 1993-94 at 810m tonnes, down just 1m from last month's forecast but 49m tonnes below 1992-93 out-

The fall from last year is almost entirely due to the effect of the Midwest floods on US maize prospects. US coarse grains output is now projected to reach only 222.4m tonnes, down from 229m tonnes in the July report and 277.7m tonnes in 1993-93. But the latest cut in the US estimate has been compensated by increases indicated for the EC (by 1.4m. tonnes to 82.1m), Kazakhstan 1.2m tonnes to 11.6m), the Russian Federation (by 2.6m tom as to 53.7m) and Canada (by 1.6m tonnes to 24.1m).

Market price range 'close to equilibrium'

3,284

By Kenneth Gooding, Mining Correspondent

A GOLD price range of between \$370 and \$400 a troy ounce "is probably not far out of line with the prevailing equilibrium price," suggests the Gold Fields Mineral Services consultancy group in a new report on the global gold

Although there is a danger the same investment funds that helped to drive up the gold price earlier this year might become sellers instead. GFMS says it is also possible to see a number of developments that would lead to a further upward movement.

These include a return of stronger physical demand as the market moves out of the present time of seasonal weakness and as dealer, fabricator and retail stocks return to normal from high levels built up by the end of the first quarter

Also, "the lowering of European interest rates should offer support to the gold price in the medium-term by reducing the opportunity cost of holding gold as well as boosting consumption and possibly inflation in the longer term" GFMS makes these com-

Global Gold Supply and Demand 1991 1992 Mine output

247

ments in the first of a new series of interim reports that will update information contained it its annual survey, which isreleased in May each

Yorkopst, Source: Gold Fields Affineral Services.

Old gold scrap

The latest report forecasts that higher prices will cut global gold demand from jewellery makers this year by about 7 per cent from the 1992 level to 2,492 tonnes. This would still be well above global mine production of gold, predicted to rise by 2 per cent to 2,274

The biggest supply/demand component changes forecast by GFMS include an 87 per cent drop to only 20 tonnes in supply from forward sales by producers and a 37 per cent fall in sales by central banks and

other official organisations to 165 immes. The recent steep price rise

3,503

has encouraged more investment in physical gold and GFMS predicts this will rise by 530 per cent to 63 tonnes - still comparatively low given that demand from this source was 213 tonnes in 1990. Bar hoarding, also feeling

the impact of higher prices, is forecast to fall by 29.5 per cent

GFMS suggests that in the short term it will be developments in the gold market itself that will determine the price. If central banks sales and forward sales by producers stay low, there may be further investment interest in the

pick up, this will reassure investors "that the risks of a major down-side correction are low enough and the possibility of longer-term gain high enough to justify continued exposure to gold within diversified portfolios.

"On the other hand, if physical demand remains weak, then, in the absence of external factors such as renewed turmoil on foreign exchanges, edditional liquidation of long positions, accompanied by a further period of price weak-ness, would seem likely."

Gold 1993 - Update 1: £90 (US\$150 outside UK) from GFMS, Greencoat House, Francis Street, London SW1P 1DH, metal. If physical gold sales

Cut in sugar stocks forecast

By Richard Mooney

WORLD SUGAR stocks are expected to decline next season by another 1.81m tonnes. according to London trader C. Czarnikow's initial forecast for

In its latest Sugar Review, Czarnikow estimates that world production will rise in 1993-94 by 1.34m tonnes to 112.55m, while consumption growth will continue - albeit at a slower rate than in recent years - taking the world total up from 1992-93's 112.22m tonnes to 113.76m. The projected fall in stocks allows for the "disappearance" factor.

"The overall totals might suggest that, with world stocks now returned to a mid-range figure, price movements may prove rather neutral in the coming months," the review

"However, there are contrasts in the outlook as some producers seek to recover from weather related problems last season while several of the larger individual countrices have balances that are moving into deficit.

"Supplies appear to be plent-tiful over the remaining months of this calendar year, Czarnikow notes, "but there are already signs of localised supply difficulties which are likely to make an impact in the market next year." The review cites India as a

case in point. "Generous stocks were available in 1992-93 to bridge the gap between a sharply lower crop and steadily rising demand," it says. "There was even sufficient to meet some export commitments but, in all, 2m tonnes were needed [from stocks] to assure a baiance. With stocks depleted to that extent, there are not the reserves to repeat the exer-

Czarnikow also reports uncertainty about the situation in China, where government policy has concentrated on encouraging sugar consumption. This, together with sharply higher exports mainly to Russia - has helped to reduce the internal surplus from the record 1991-92 crop, the review says, Meanwhile, as a delayed reaction develops to the increased use last year of IOUs to pay farmers, the area planted to sugar has slipped

Russia's 1993 sugar beet harvest will be between 24.2m and 26.65m tonnes, little changed from last year's 25.5m, but below the five-year average of 30.2m tonnes, Interfax news agency said, reports Reuter

China tries to avert cotton price war

WITH COTTON prices rising on shortages in key provinces, China is releasing 500,000 tonnes from national reserves in a desperate effort to cool the market and avert a cotton war.

reports Reuter from Beijing. Vice Premier Li Langing made the announcement this week at a meeting here to discuss the cotton crisis, the Farmers Daily reported. He since reforms began in 1978, hat, with the crop due to fall this year, the extra stocks were being released to stabilise the market and encourage the proper purchase of cotton from farmers - in other words, to stop them from going to the

An agriculture ministry official said it was too early to say by how much the crop will fall. He blamed the drop on unusually severe pests and flooding in production areas. Cotton, a vital raw material

for the textile industry, one of China's biggest export earners, has caused some of the worst headaches for central planners with wild fluctuations in Dro duction.

Output nearly tripled from 2.17m tonnes in 1978 to a record 6.26m in 1984, causing a glut and leaving stocks rotting on the roadside. Output plunged to 3.54m tonnes in

Then cycle began again, with output rising to 5.68m tonnes in 1991 and falling 20 per cent to 4.53m last year.

Cotton remains one of the few crops still entirely under state control, with farmers supposed to sell only to authorised buyers. But at times of shortage a black market develops. On Tuesday, the government announced that it was raisin

the purchase price from Yn300

COCCGA - LCE Close

(£34) a dan (50 kg) to Yn330, with a promise of a further increase next year. Mr Li told the meeting that cotton should in the end become a free market commod-

ity but the moment was not yet ripe, so the government had to increase its control over the crop.

"We need to set up a

national warehousing system specially for cotton, similar to what we have for grain," he Reports from the provinces

in official newspapers, indicate that the government may have in Hebei, an important producer, the shortage this year

newspapers said.

High/Low

will be 100,000 tonnes and in Shandong it will be 50,000 tonnes short. Prices have already started to rise, the £5 on the day.

Small New York Exchanges to merge

THE NEW York Stock Exchange is about to spin off its tiny 14-year-old futures arm, the New York Putures Exchange, to the New York Cotton Exchange, according to New York The two exchanges share

trading floors in New York's World Trade Centre. The deal, which could be completed as early as September 2, would be small in comparison to the merger-plan under way between two other New York futures exchanges. the New York Mercantile, and the Commodity Exchange

However, the Nyfe could prove a useful addition to the 100-year-old cotton exchi The cotton exchange trades in cotton and frozen concentrated orange juice and, through its subsidiary, the Financial Instruments in contrast, sell for about Exchanges, it offers dollar \$40,000.

(Comex).

index futures, futures on European currency units, and a treasury note contract.

The Nyfe is best-known for its futures on the Commodity Research Bureau index, It 500 members also trade futures on the New York Stock Exchange of the giant stock exchange, the Nyfe never fully developed as a futures exchange. Its memberships trade for \$100. Seats at the Cotton Exchange.

WORLD COMMODITIES PRICES

MARKET REPORT

London Metal Exchange traders said COPPER was vesterday struggling to hold the \$1,950-a-tonne level for September to bring September \$2,000 buying options into the money. A burst of commission house buying took the three months position up from \$1,910 to \$1,929 a tonne but with the New York market sluggish and the cash/three months premium easing to around \$30, the buying dried-up and the price ended the afternoon kerb at \$1,917 a tonne. down \$16 on the day. ALUMINIUM found buying interest around the

London Markets

Crude oil (per barrel FOSKO	ct)	4 OF
Dubal	\$14.69-4.86	u025
Brent Blend (dated)	\$16.46-6.51	
Brent Blend (Octi	\$17.02-7.04	
W.T.J (1 pm est)	\$18.26-8.29	
		_
Oil products (M/VE prompt delivery per li	onne CIF	4 gg
Premum Gasotne	5192-194	
Gas Oil	\$162-163	-1
Heavy Fuel Oil	\$61-62	-0.5
Naphtha	\$156-161	
Petroleum Argus Estimates		
Other		+ ar
Gold (per troy oz)	\$367 50	-3.75
Silver (per troy oz)	466.00c	-0.50
Platinum (per troy oz)	\$383.75	-2.75
Patladium (per troy oz)	\$122.55	-8.25
Copper (US Producer)	91.00c	-0.5
Lead (US Producer)	34.63c	
Tin (Kuste Lumpur market)	12 03m	-0.17
Tin (New York)	222.0c	
Zinc (US Prime Western)	Unq	
Cattle five weight?	130.64p	-2.32
Sheep five weighthte	83 08p	-5.36
Pigs (live weight)	69.5 1p	-2.85
London daily sugar (raw)	\$238.5	-4.2
London daily sugar (white)	\$294 0	-1.6
Tate and Lyle export price	\$270.0	-2.0
Barley (English feed)	Unq	
Matze (US No. 3 yellow)	€169 5	
Wheat (US Dark Northern)	€147.0	
Rubber (Oct)♥	59.25p	-0.25
Rubber (Nov)4	60.50p	-0.25
Rubber (KL RSS No 1 Jul)	211.5m	
Coconut oil (Philippines)§	\$450.0v	-2.5
Paim Oil (Malaysian)§	\$360.0u	-25
Copra (Philippines)S	\$289.0	
Soyabeans (US)	£196.5	+1.0
Cotton "A" Index Wootops (64s Super) t a toron, unique otherses contains, r-dingglifte, y-Au -Cet/Dec v-Aug/Sep VLond terdam, 3 Bullion market do	\$6.05c 330p a stated. p- y/Sep v-Sep/	-2 penc

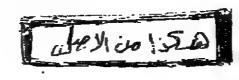
underpinned a later rise to \$1,168 up \$6 a tonne from Tuesday, ZINC also benefited from buyers tempted by the recent dip to almost \$880 and three months rallied to \$887. down \$2. Hedge selling, liquidation and stop-loss selling pushed TIN and NICKEL to 20-year and six-year lows of \$4,720 and \$4,536 of n

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Verries	Larrest	Previous	High/Law	ICO ind	leater pric		is per pound)	
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Dec	253.40	257 63	257.00 253.40	100.019				
Mar	262.00	258 90	262.00 255.60					
May	259.40	261.40	259.40 259.00	POTAT	068 - LC	Ξ		£/tonne
Aug	265.00	266.90	298.00 295.00		Close	Previous	High/Low	
	189 (559) i 3.95 Dec		IFFF per tonnet	Apr May	77.4 89.8	75.7 88.3	77.0 76.0 88.0	
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	Lates	Previou	as High/Low	BOYAM		\$		£/tonne
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Dec	17.38		17,42 17,29					
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1200		7	31	51	52	High	GRADE C	OPPER 25,0	00 lbs; cent	e/tos
1225		3	22	72	68		Close	Previous	High/Low	
Copper (Grad	e Aj	- (Calls		Puts	Aug	84.90	85.45	85.00	84.80
1900		57	61	29	67	Sep	84.90	\$5.05	85.60	64.70
7950		32	58	53	94	New	84.95 84.95	85.15 85.20	85.50 85.40	85.30 85.40
2000		16	41	86	125	Dec	84.95	85.25	85.65	84.75
						Jen Feb	85.05 85.15	85.35 85.45	85.50 85,80	85.60 85.60
Colline		Nov	Jan.	Nov	Jen	Marie	85.25	85.55	85.85	85.20
1150		137	135	25	56	Apr	85.35	85.65	85.80	65.80
1200 1250		111 76	107 84	-89 64	78 105		85.35	85.70	85.90	65.80
Cocce						CRUE		hQ 42.000 U	-	78
		Dec	Mer	Dec	Mgr		Latest	Previous	High/Low	
725 750		98	126	11	20	Oct	15.21	18.32	18.36	18.17
775		76 50	108 91	16 24	27 35	Nov Dec	16.50 19.60	18.61 18.80	18.62 19.77	18.47
-		~	-91	~~	•••	Am.	16.86	16.93	18.90	18.83
Breat Crude		Oct	Nov	Oct	Mov	Feb	18.94	19.04	18.99	18.08
			074			Mar Apr	19.15 19.12	19.15 19.22	19.11 19.12	19.05 10.12
1950 1790		56 26	200	9	25	Mag	19 19	19.29	19.19	19.16
1750		7	90 97	25 53	42	300	18.24	19.26	19.34	19.24
						jui	19.33	19,45	19.33	19.33

HEAT	TING OIL	42,000 US g	pilo, certe/	UB gatis	C	hicag			
	Latest	Previous	High/Lo	W	800	A BEFANIS &	000 bu mire o	and the land	
Sep	52.45	69.61	82.60	62.00	_ =	Citose	Previous	High/Los	_
Oct	83.45	53.55	63.66	88.10	-	980/6			
Nav	84.45 86.48	54.61 65.48	54.60 55.60	54.15 88.76	Sep Nov	965/0	670/0 671/0	674/0	860/4 861/0
Jen	\$6.10	86.08	66.15	55.75	Jün	965/2	677/0	681/4	857/4
Feb	86.25	58.26	56.35	86.05	Mar	673/0	682/0	685/4	672/4
Mar	85.45	55.4\$	65.35		May	675/0 676/4	662/6 684/6	687/0 688/0	674/4
Apr May	54.30 53.50	54.28 53.48	54.30 83.80	54.30 53.60	Aug	672/0	87B/6	682/0	676/0 672/0
Jan	53.40	63.03	å .	0	Sep	848/0	849/0	852/0	645/0
0000	26, 10 000	oc\$70me			- BOY/		60,000 lbs; e	certs/its	
_	Closs	Previous	High/Los	*		Close	Previous	HighVLone	
Sep	1008	1008	1016	1006	— Sep	23.26 23.41	23.46 23.60	23.5 <u>8</u> 23.82	23.25
Dec	1067	1059	1076	1944	Dec	23.50	23.84	24.08	23.40 23.58
Mari	1105	1003	1107	1081	alian:	23.70	23.93	24.15	23.70
May	1190	1113	1121	1107	Mar	23.66 23.60	24.07 24.11	24,25 24,25	23.88
Jul Sep	1140 1181	1188 1164	1143	1154	Jul	23.85	24.17	24,26	23.68 23.88
Dec	1189	1160	1181	1182	Aug	29.74	23.95	23.75	23.73
Mer	1212	1205	0	. 0	SOYA	WEAK ME	L 100 tons;	\$/ton	
May. Jul	1232 1251	1225	1225	1225 0		Close	Previous	High/Low	
_	_				- Sep	211.5	-213.0	214.7	211.3
OUH!	E -C- 3/	,600tbs; cen	TEATON.		Oct	809.6	212.4	212.9	209.4
	Close	Previous	High/Low	r	Dec Jan	209.6 208.4	212.6	273.1	208.3
Sup	75.50	78.50	77.00	75.50	Mar	270.2	212.7	213.0 213.3	209.3
Dec	78.25	78.05	79.90	77,80	- May	210.2	212.5	213.3	209.7 210.0
Har	80.40	81,30	81.75	90.00	Jul	210.7	212.9	213.2	210.6
100	82.00	82.30	82.90	81.25	Aug	805.8	210.3	209.0	208.5
-34	82.90	83.90 85.20	84.20	63.25	MAZ	E 5,000 bu	THE CONTRACTO	ilis (suphe)	
Sep Dec	84.25 88.00	86.85	65.86 0	85.95 . 0		Close	Previous	High/Low	
SUGAL	R WORED	"11" 112,00			Sep	233/0	236/6	237/0	232/2
	Close	Presion	High/Low		Dec Mar	239/0 247/5	243/8 251/5	244/0 252/0	238/2
					May	252/8	256/4	257/0	247/0 252/0
Oct	9.52	9.17 8.43	9.80	8.86 9.28	Jul Sep	255/4 249/0	259/4 251/0	200/0	255/2
Mar	9.65	8.80	9.74	9.48	Dec	243/2	243/2	251/5 244/2	249/0
Jul	9.70	B.64	9.75	9.56	WHEA	T 5.000 bu	min; cente/6		241/2
Oct	9.73	9,67	9.85	9.58		Ciose	Previous		
COTT	O.000 PK	ite; cents/it	8		Sep	· 299/8		High/Low	· ·
	Close	Previous	High/Low		Dec	309/0	305/2 313/0	304/6 313/0	298/0
Oct	56.47	57.09	57.30	58.40	- Mer	313/4	316/2	318/0	307/Q 311/4
Dec	57.80	55.17	58.32	57.75	May	309/2 300/2	312/0	311/0	30B/0
Mar	69.16	59.70	59.50	59.05	Sep	305/0	300/4 304/4	301/4 305/0	299/0
May	80.10	60.35	60.35	59.90	Dec	311/0	310/4	311/0	304/4
Jul Oct	80.80 80.30	61.22 60.50	00.18 0	60.60 0	LIVE C	ATTLE 40,	000 fos: cent	7/2ne	310/4
Dec	80.30	80.50	80.40	80.10		Cicae .	Previous	High/Low	
ORANG	AE JUICE	16,000 Rus,	cents/ibe		Oct	73,525	73.750	73,850	
	Close	Previous	High/Low		- Dec	74.175	74.875	74 725	78.425 74.025
					- Apr	74.850 78.050	75.300	75.325	74.750
Sep	123.66	123.00 126.10	123.95 127.15	122.00	Jun	72,825	76.400 .73.225	78.375 73.175	75.900
Nov	126.95 127.95	127.45	128.80	126.70	Aug	71.675	72.100	72,125	72.800
Mar	129.05	128.45	129.60	128.05	_ <u>Oct</u>	72.100	72,300	72.700	71.825 72.100
May	130.55	129.95	130.50	130.00	LIVEH	OGS 40,00	O lib; cents/lib	5	
Jul	130,55 130,55	129.85	130.00 129.25	129.25		Ciose	Previous	High/Low	
Sep Nov -	130.55	129,90	128-20	120.10	Oct	47.025	45.975	47.125	<u> </u>
Jan	130.55	129.30	2	Ð	Dec	46,425	45.875	48.550	46.225
		·			Feb Apr	45.428 44.100	45,325	45.600	46.100 45.250
BOI	CES				Jun	48.800	43,975 46,050	44.325	44,000
REU	TERS (Be	e Septembe	r 18 1931 .	100)	Jul	47.860	48.050	48.100 48.050	48.550
	Aug.25	Aug.25	गापी बहुव	уг асто	Aug	46,500	46.800	46,900	47,400 48,400
	1630.2	1629.1	1844.3	1517,3	PORK	8 2115 6 4	0,000 Ba; ca	tts/fb	
DOM		Bases Dec. S	1 1974 = 1	00) .			Previous	High/Low	
	Aug.25	Aug 24	amith ago		Feb	50.775	48,775	50.775	
Spot	122.98	122.78	124.15	116.26	~Mar May	50.375	48.375	50.375	49.650
	£ 126.70	-125,76	129.53	115.56	Jul	51.400 61.900	49,400	51,400	49,250 50,000
L					Aug	51.600	50.400 49.700	52.000	50.000
	-	:	-			-		61,600	50,000



FT-A ALL-SWARE

1527.83 +0.25

22.74 22.37

21.70

LONDON STOCK EXCHANGE

London shrugs off Bundesbank news

By Terry Byland UK Stock Market Editor

THE LONDON stock market benefited yesterday from its unwillingness to believe the rumours that key interest rates would be cut in Germany. Share prices fell sharply at first as optimism faded ahead of the Bundesbank's decision to leave rates unchanged, but professional marketmakers were only too happy to buy stock. The early fall of 20,6 on the FT-SE Index was recap-tured later and by the close the Index had regained its all-time closing peak of 3,079.2 to show

no change on the the session.
The US buyers who pushed the Footsie to its latest peak on Wednesday, when the day's retail value soared to a 1993 peak of £2.3bn, were content to leave the UK market to its own devices yesterday. However, Goldman Sachs, the US investment bank, having already discounted suggestions of an immediate cut in German discount rate, reiterated the optimistic view of the UK market from the other side of the

Atlantic. Goldman, rejecting wide-spread fears that global stock markets are overheated maintained that the "most likely" scenario is for global equities to be the best-performing financial asset over the next 6

 12 months. At Panmure Gordon, Mr

Robin Aspinall commented that; "a wall of US money" is driving UK equities ahead. Optimism is also high on the domestic front, where Mr Michael Hicks of Strauss Turnbull said that UK markets evidently believe that "low inflation is

here to stay". The recovery in UK stocks was boosted from the stock index futures sector where the

September contract on the

Footsic moved above the 3,100 mark after the close of official trading. However, a sizeable trading programme in the equity market yesterday morning appeared to reflect genuine portfolio investment rather

TRADING VOLUME IN MAJOR STOCKS

FIG.

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Frenge & Col. LT.

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General Elec

The fall in the US dollar after the Bundesbank's decision took the heart out of the international stocks, although selling pressure was light.

have headed the US move into the UK market this week. found buyers again after Wall Street opened. Interest rate-orientated

stocks, which were the most closely-linked to the hints of a rate cut in Germany, held up well. Among the retail issu Marks & Spencer, the high street jewel, closed firmly. Banking stocks, which are

from early cuts in interest rates because these would ease the pressures on loan books from difficult, or underperforming loans, also recouped early fails. The sector was boosted by hints that a large cross-border takeover move was in the offing.
Overall, the UK market closed last night nearly 1 per cent higher than on Friday,

expected to benefit strongly

FT-SE 100

3079.2 +0.0

FT-SE 180 FT-SE MM 220

when the hopes for a cut in Bundesbank discount rate first began to circulate in global markets. London remains convinced that interest rates are on the way down throughout Europe, that UK rates will be trimmed this autumn and that hopes of economic recovery will continue to bring overseas investors to the UK stock mar-

However, there are still worries for the near term over the high ratings now standing on UK equities. S.G. Warburg remains relatively cautious and other London securities firms appear reluctant to increase year-end forecasts.

Accoun	t Dealing	Dates
rst Deelings: Aug 16	Sup 6	Sep 20
Sep 2	Sep 16	Sep 30
Sep 3	Sep 17	Oct 1
Sep 13	Sep 27	Øcz 11

Bought deal in

COMPUTER software and services group ACT was the most heavily traded stock in the market after Singer & Friedlander, the merchant bank, sold its 10.3 per cent stake in the company, via a

The stake, some 19.1m, was sold by Singer & Friedlander to Credit Lyonnais Laing, the stockbroker, at 161%p and subsequently placed with a num-ber of institutions at 163p a share. The placing was oversubscribed, according to

ACT shares fell to 172p as the market picked up the scent of a large placing, but quickly stabilised and then rallied to end the day unaltered at 178p. Turnover reached 39.5m

Allied bid talk

Bid rumours surrounding Allied-Lyons found some voice again on the market and saw the price move up 8 to 628p in a reasonable turnover of 4.1m shares.

While many analysts felt there was more speculation than substance in the rumour, Allied is enjoying positive sentiment at present and consensus grows that the stock is cheap and worthy of investment. Smith New Court issued a buy note, saying the shares had emerging value and looked a good bei for long-term growth.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS 1261).
SERTICH PURIOS (2) To Audic C. TA. Tr. 200
B. TO. AMEDICANE (7) BANKES (2) ANZ.
Berchen, SECENTERS (3) DAVIDS (2) ANZ.
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PRINGROW W.S. BERCHERS (3) DAVIDS (2) CPH.
PRINGROW W.S. BERCHERS SERVIN (3) Bridgette
Captan, Hogy Roberton, Page. Servin Childre
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(3) Broken Ling; J. Do 6 dep P. Start,
(3) Broken Ling; J. Do 6 dep P. Start,
(4) Crost, Electrificative (3) Andrew Life (4) Crost,
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Cholos Electrificative (3) Motoria, Northweite,
ELECTROSICS (7) Acta Cont. Price (4) Crost
(8) Broken Ling; J. Do 6 dep P. Start,
(8) Electrosics (7) Section (8) Crost
(8) Electrosics (7) Motoria, Northweite,
(8) Electrosics (8) Antoria, Northweite,
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One broker was urging caution on the larger brewing stocks, citing one cause for concern as possible tax increases in the November

Breed on the trading volume for a selection of Alpha se rounded down. † indicates an FT-SE 100 index consists

M & S advance

Budget.

A mixed performance in stores stocks saw shares in Kingfisher battle and Marks and Spencer gather plaudits. Kingfisher lost 4 at 665p after fighting back from a day's low of 660p. Some market-watchers blamed fall-out from recurring DIY fears after Do It All's recent reported performance but others saw the stock embarking on a rocky rebalancing act at the and of a good run. Interest rate disappointment in Europe, especially con-cerning Kingfisher's French interests, cannot have helped

Marks and Spencer proved favourite of the sector, reportedly attracting significant US interest in a turnover of 4.6m. The shares finished ahead 8 at 373p. One analyst said the squeeze in Marks' shares added to their strength. Another put some of their performance down to the fact that the stock often acts as a proxy for the sector and if investors want to increase their exposure to stores then Marks and Spencer is often the recipient of their

The oil majors were again among the FT-SE 100's best performers, with the recent upsurge of interest in the oil sector again bering focussed on the two biggest of the oil stocks, BP and Shell.

Dealers said US institutions returned in force to buy the two stocks, despite the early uncertainty displayed by Wall Street, Goldman Sachs was said to have been among the most aggressive buyers of the oils, which were additionally boosted by an acute stock

UK oil analysts said the main thrust of the US buying argument for the UK oil stocks was that they look cheap on a cash flow basis compared with

their US counterparts. BP moved up 3% more to 321p, on continuing heavy turnover of 9.8m shares. BP have risen from 298p since the start of the week. Shell put on 21/2 to 674p on 2.9m with oil specialists noting large scale switching into Shell from Royal Dutch, citing the yield

argument. Enterprise Oil continued to move ahead, the shares adding 3 more to 451p. Lasmo came under pressure at the outset, slipping to 142p in the wake of some determined profit-taking. but began to edge higher later in the session, eventually closing a net penny higher at 146p. Turnover in the stock was 2.8m, well down on recent lev-

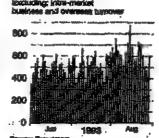
Calor Group, a strong market all week following a buy note issued by Hoare Govett, added 9 more to 274p, the highest since June 1990. Hardy Oil jumped 7 to 171p still boosted by recent broker visits and buy

Among the second-liners

FT-A All-Share Index



Turnover by volume (million). Excluding: intra-merket business and oversees bypowe



exploration hopes lifted Plet Petroleum 8 to 126p.

The utilies areas of the market made good progress early said to have chased the regional electricity stocks, generators and waters higher amid hopes that any early cuts in European interest rates would continue to focus investors' minds on the high yields available in those areas. ...

The absence of a cut in German rates, however, was thetrigger for a widespread bout of profit-taking and selling in the utilities which generally closed with losses on the day.

Severn Trent was one of the water sector's most prominent performers early in the session, the shares moving up to 553p at one point after a strong buy recommendation issued by Credit Lyonnais Laing, the stockbroker, CLL's Robert Giles said "the high quality of the underlying businesses and robust financial position make Severn Trent the best value of

the major water stocks." Severn Trent shares dipped off with the rest of the market and closed unaltered at 541p after good turnover of 1.5m. The other water stocks in the FT-SE 100 closed down on the day with Thames 3 off at 539p, North West 5 lower at 515p and

Anglian 2 easier at 527p. The leading drug stocks were among the market's laggards,

suffering from sustained selling pressure on both sides of the Atlantic after their recent

strong gains.

Glaxo, heavily traded in both the stock market and the traded options market, fell 10 to 573p with turnover of 3.3m accompanied by the equivalent of 3.3m traded in the options. The shortage of stock in Smiths Industries continued and the shares advanced another 5 to 385p. Babcock International was strongly traded. Volume rose to a hefty 14m. The day's total included a block of 4.5m done at 44p, and another of 5.3m at 43½p. The shares closed ½ lighter at 45p.

One of the day's biggest falls was recorded in Glasgow based pumps and valves manufacturer Weir Group, which disappointed the market with a 10 per cent decline in interim figures. Profits fell to £16.8m against £18.4m a year earlier. The shares declined by 9 per cent, falling 30 to 318p, as brokers reduced full year forecasts

by about £4m to around £39m.

together with general profit

The availability of stock

taking, once again exacted a toll on engineering group Siebe. The shares eased 10 to 527p. General investment support was seen for Westland Group, and the shares closed 6 better at 236p. Business services company

Rentokil Group pleased the market when it reported figures above analysts' expectations. The shares gained 9 to 219p, in trade of 3.3m. Profit downgrades at US

rival Philip Morris were said to have been responsible for the weakness in tobacco to insurance group BAT. The shares eased 4 to 475p. A broker's visit to Rank Organisation's Haven Warner

operations on the South coast of England on Wednesday. cheered analysts, boosting the shares yesterday. They hardened 3 to 777p. The departure of Owners

Abroad managing director Mr Roger Allard saw the share price climb 4 to 84p in hefty turnover of 5.5m. But one analyst said the

market was finding it hard to make predictions for Owners. Mr Hamish Dickson of Hoare Govett said: "We've suspended our forecasts for the time being. We feel so much in the dark."

Ladbroke felt the force of

FULL VOLUE TIMES EQUITY INDICES
 Optionary shares
 2383.5
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 Crut. db., yield
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London report and latest Share Index Tel. 0801 123001. Calle charged at 38pitolouie champ rote, 48p at all other fines.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES trading trod a cautions path ahead of yesterday morning's Bundesbank policy council meeting, with uncertainty over interest rate cuts holding volume in check, Christine Buckley writes. Some profit-taking in equity futures depressed the level of the September contract on the FT-SE 100 in morning trading

and it fell to the day's low just

before the Bundesbank's news. But once Germany stemmed speculation with a decision to stand firm on its rates, more action moved into the market, taking the September future on a rally that did not turn back. The contract also received added impetus from a squeeze. With short positions boosting the performance, it closed at 3,097 with 11,740 points on the day. Given the lack of German action on interest rates and a fairly lacklustre trade in short

sterling and gilts, the fact that the contract moved upwards was a measure of its underlying strength, traders believed It fluished the session 12 points ahead of its fair value premium to the cash market,

the measure of carrying costs and dividend payments on the A significant amount of switching between futures and cash was also seen, as well as some large block deals.

Traded options had less fire with 24,269 lots traded. The Footsle option weighed in with 7,098 contracts and the highest stock was Glazo at 3,774.

pre-interims nerves with its price losing 3 to 202p. US buying interest was said to have continued in Vodafone

Group which boosted the shares 8 to 578p. A squeeze was reported in Transfer Technology where the shares jumped 19 to 489p. Kleinwort Benson recommended the stock earlier in the

HSBC jumped 131/2 to 730p following a shapr rise in the Hong Kong market.

There were no surprises in interim results from Guardian Royal Exchange whose shares settled mamrginally easier at

MARKET REPORTERS: Steve Thompson, José Kibazo.

Christina Buckley.

3042-0 3467,4 3479,5 1524.9 1759,97 1753.16 5.60 5.63 5.92 5.58 1.88 4.29 5.48 3.46 3.56 3.67 3.15 3507.9 1542.1 FT-SE-A 350 FT-SE-S STEEDCOO 3486 T 1528 4 1542.0 1115.1 1763 76 1757.68 1777.73 PT-A ALL-SKARE CAPTIAL GUODA CTH Building Materials(26) Contracting, Construction(25) 1175.M 1029.66 -0.6 -0.3 1163.04 1031.94 694.33 549.28 1038.16 1435.74 3028.51 2930.27 3004.04 2049.33 2937.18 1893.66 Electricals(15) 3114.24 5 63 t 5.61 2960.73 455.78 458.14 628.85 295 93 416.46 453.90 445.55 -0.4 -03 21.52 1262.14 8 Metals & Metal Forming(10) 458.75 264.36 459.34 286.30 2240.16 1512.53 453.11 462,72 Motors(20) Other Industriale(19) 480.89 458.57 2262.42 2251.41 2270.26 51.39 1170.86 1740.88 1728.24 1729.92 1462.14 1738.38 -0.1 9.45 7.54 7.06 8.45 8.28 5.85 4.74 5.23 5.52 5.76 18.81 30 47 1010.09 -0.3 1740.88 1728.28 -0.5 2061.56 2037.04 -0.4 1388.84 1379.84 +0.1 3058.62 2081.81 -0.7 3528.41 3490.74 -0.1 1432.00 1423.61 22 Brewers and Distillers(29) 25 Food Manufacturing(22) 26 Food Retailing(17) 2051.00 1383.71 2021 11 1834.53 1377.39 1101.94 3059.30 27 Hunth & Normholigan 29 Hotels and Laboure(19) 3503.29 3723.87 1424.58 968.63 2118.01 1390.43 47 83 4 13 2.46 3.19 2.85 3.66 1430L72 Media(X)

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Additional information on the FT-SE Actuarns Share Indices is published in Saturday Issues. Line of constituents are available from The Financial Timos Limited, One Southment Bridge, London SE1 SHL. The FT-SE Actuaries Share Indices Service, which covers a surge of electronic and paper-based products, relating to these archous, is available from FTHSTAT at the same address. The Increase in the SE2 of the FT-Actuaries All-Stare Indice time address. The Increase in the SE2 of the FT-Actuaries All-Stare Indice, time James 4 1970 means that the FT-SE 100 now contains more stocks, it has been referred the FT-SE 100. The FT-SE Med 250 and the FT-SE Actuaries SE0 Indices are complied by the London Stock Exchange and the FT-SE Actuaries All-Share Index is complied by The Financial Times Limited, both in confunction with the Institute of Actuaries and the F2-Sec Indices are complied by The Financial Times Limited, both in confunction with the Institute of Actuaries and the F2-Sec Indices are contained and Indices are contained and Indices Indices

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CROSSWORD

No.8,239 Set by GRIFFIN

ACROSS
1 One needs nice cocktail DOWN
1 Manufactures first silver after sea-sickness remedy! catch which is attractive (6) 2 Which stops one humming? (9) 3 Describes cold, not rare,

5 Food passes down this or that contrivance (6) 10 Said why leaving gym tollet in darkness (5)

11 Unable to get off with Les is

promiscuous (9)

12 Financial specialist comes into new building (9)

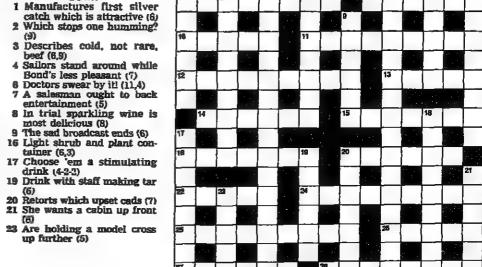
13 Agree to pop back with one animal (5)

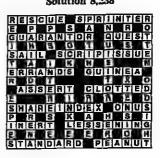
14 Scan certain to reveal hidden illness (6) 15 Lies awkwardly, having left pervert back on board (7)
18 Must his models strip in sea 17

20 Part of one's eye make-up? (6) 22 Take petitioner's position?

(5) 24 Take choir round plant (9) 25 Divorcee and dull accountant admitted free (9) 26 Superior boat shipwrecked outside Birkenhead (5) 27 Sole scheme taking volun-

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28 About ten say a hip opera-tion is cause of death (8)





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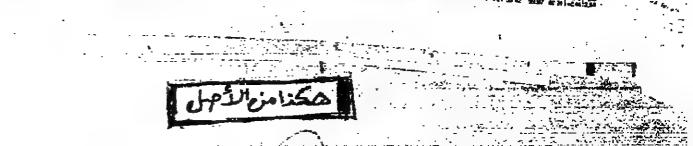
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on rate news

currencies weakened against the D-blark in European trading yesterday after the Bundesbank surprised dealers by keeping its official interest rates unchanged, writes James

Expectations had been for a cut of up to to a percentage point in the discount rate, which sets the floor for all German money market rates.

The decision not to cut led to a slight firming in the D-Mark's value against most currencies in thin trading. But there was a strong impression that European currencies could start to show a clearer trend against the O-Mark when foreign exchange volumes pick up at the start of next week.

In Europe, the Bundesbank announcement pushed the franc below the FFr3.50 level in mid-afternoon after it had closed on Wednesday night at FFr3.4720. It later closed at FFr3.502. One analyst said that France's unemployment fig-ures for July, due on Monday, would be important in determining how much pressure the currency market must put on the Bank of France to cut

The Danish krone was also weaker, closing at DKr4.125.

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well below its Wednesday close of DKr4.085. Sterling closed 1% pfennigs higher at DM2.5150. But it was the Belgian franc which, of all European currencies, caused most concern. The currency slid to a low of BFr21.35 yesterday, having closed on Wednesday night at

The announcement by a group of Flemish economists earlier this week that the Belgian currency should sever its link with the D-Mark was the cause of the currency's slide. The Belgian franc is the European currency we worry about more than any other," said Mr Jim O'Neill, head of research at Swiss Banking Corporation

However, Mr O'Neill believes that it is the performance of the dollar/D-Mark currency pair that will dominate the foreign exchange market's attention over the next few weeks.

Yesterday, the dollar slid against the German currency.

closing at DM1.6680, 2 plennigs down on the day and a 9-week low. Mr O'Neill thinks this trend could continue as dealers gradually turn their attention away from the newly relaxed

Poor economic data, a large budget deficit and German intransigence continue to hang over the US currency. "A move down to DM1.60 is certainly possible over the next 3 months," said Mr O'Neill. "And I have to say that I do not rule out the possibility of the dollar hitting new historic lows.

The Japanese authorities continued to take full advantage of the upswing in the dol lar/yen rate, heavily intervening to support the currency to Asian trading. The interven-tion helped the dollar to get back above the Y105 level, but Japanese intervention was ineffective in a thin market, and the dollar closed at Y104.40

EMS	EUROPE	AN CUR	RENCY U	NIT BAT	ED
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BASE LENDING RATES

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MEMBER SPA Coll son for larger information

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FINANCIAL TIMES FRIDAY AUGUST 27 1993

Money Market

Trust Funds

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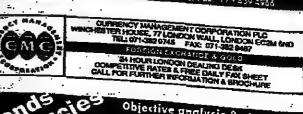
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MONEY WARKETS

Euromark futures fall

THE BUNDESBANK again surprised European money market dealers yesterday by refusing to cut its official interest rates when there had been strong expectations that policy would be eased, writes James

The German central bank left its discount rate unchanged at 6.75 per cent and made no announcement on next week's repo. Market expectations had been for a cut in the discount rate of up to 1: a percentage point, in the belief that inflationary pressures in Germany had eased.

UK clearing bank base lending rate 6 per cent from January 26, 1993

There was no formal explanation of why the Bundesbank had left policy unchanged. Analysts said that the central bank was concerned by M3 monetary growth after the intervention to support the franc. The central bank might also have found it difficult to explain why it was cutting rates in August, when the failure to ease policy in July had brought the demise of the Exchange

Rate Mechanism.
The Bundesbank's move was followed by announcements of France had announced before was a shortage of £1.15bn.

the council meeting that its intervention rate was unchanged. Portugal trimmed its emergency lending rate at the start of the day from 12.500 per cent to 12.375 per cent. Yesterday's Bundesbank NEW YORK

move took many dealers by surprise, especially in the German cash market. There had been strong expectations of lower borrowing through the Discount window. When these were dashed, banks tried to raise funds in the cash market, pushing call money above 7 per cent. One London dealer expected to see some Lombard borrowing next week at 7.75 per cent.

Euromark futures also fell back. The September contract closed at 93.50, down 7 basis points on the day, and the December contract was down 4 basis points at 94.07. French franc futures were also depressed, in the belief that France's policy easing might come more slowly than dealers had expected. September Pibor was down 17 basis points at 92.88

Sterling markets were depressed by yesterday's Bundesbank move. The December contract dropped 5 basis points to close at 94.54. In the cash market, 3 month money was fractionally higher no change in rates from at 5% per cent on the bid side Austria and the Netherlands. and 5th per cent offered. There

11.00 a.n	n. Aug 28)	3 months US dollars	6 an	ontis US Dollars
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MONEY RATES

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LONDON MONEY RATES							

Aug 26	Overnight	7 days notice	One Member	Three Moults	Sprage Table	One Year
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Fenance House Deposits	-	-	55 ₀ 55 ₀	513 513	5% 5% 5%	52
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Bank Balls (Blog)		- 1	5%	513	53	-
Fine Trade Bills (Bus)	-	-		=-	-	_
Dollar COs		-	2.95	3.00	3.10	3.27
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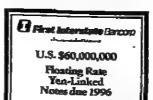
Treasur's Differ (selff): xxxx-croxich 5% per cent's three moreths \$1/2 per cent; sits months \$1/2 per cent; thank.

Sits (self): crox-month 51% per cent; three moreths 5% per cent; three surp tiller, Arwayse bander rate of decount 5.00% per 5.00% force flate Sterling Export Finance. Make up that July 30, 1983. Agreed arts of period Aug 25, 1993 to Sep 25, 1982 Schemase 18 if 7.75 per Reference state for period July 1, 1983 to July 30, 1983, Schemas 1869; 5.009 p.c. Local Authority and Finance Houses served Aught in 1983 to July 30, 1983, Schemas 1869; 5.009 p.c. Local Authority and Finance Houses served Aught in 1, 1983 to July 30, 1983, Schemas 1869; 5.009 p.c. Local Authority and Finance Houses served Aught in 1, 1983 to July 30, 1883, Schemas 1869; 5.000 p.c. Local Authority and Finance Houses served Aught in 1, 1983, Schemas 1, 1984, Schem

Han Yang Chemical Corporation Uncommented in the Republic of Korea with limit Notice U.S. \$56,000,000 3¼ per cent. Convertible Bonds due 2006 (the "Bunds") Han Yang Chemical Corporation

(the "Company") NOTICE IS HEREBY GIVEN to the holders of the Bands that a Rights into 7,000,000 common shares) was authorised by the resolutions of the Board The record common states) was authorised by the resolutions of the Sound of Directors of the Company on 26th February, 1993 and 3rd June, 1993. The record date for the Rights issue was 13th July, 1993. Pursuant to the provisions of the Trust Deed constituting the Bords, the Convenion Price of the Bords has been adjusted as a result of the Rights issue from Wen 13,650 to Wen 12,990 effective from 14th July, 1993 (the day after the record date for the Rights issue).

20th August, 1993 Han Yang Chemical Corporation A Commence of the Control of the Control



For the six months 26th August, 1993 to 28th February, 1994 the Nores will carry an interest rate of 1.6375% per smanth with an interest amount of U.S. \$187.94 per U.S. \$10,000 Note, psyable on 28th February, 1994. Benkere Tout Company, London

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Dow slips from peak on early profit-taking

Wall Street

US stock markets slipped from their record highs yesterday morning on heavy profit-taking, particularly in secondary stocks, writes Patrick Harverson in New York. At 1 pm, the Dow Jones

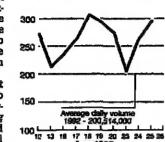
Industrial Average was down 8.11 at 3.643.98. The more broadly based Standard & Poor's 500 was 0.52 easier at 459.61. while the American SE composite was 1.21 lower at 453.21. For the second consecutive day, the Nasdaq composite underperformed the rest of the markets, relinquishing 4.69 to 728.97. Trading volume on the New York SE came to 134m shares by I pm.

After posting a 45-point advance over the previous two trading days, no one was surprised yesterday morning when the equity markets failed to build on those gains. All year, profit-takers have been ready to move in every time stocks have reached record

The day's economic news an 8,000 rise in weekly initial jobless claims - had little impact upon the markets, although the data suggested that conditions in the labour market remained weak. Bond prices were higher, pushing long-dated yields to new record lows; but this was also shrugged off by equity inves-

Buyers sought out certain sectors, and continued to rotate between cyclicals, consumer, cars, pharmaceutical, technology, transportation, and oil stocks.

Drug stocks were among the leaders. Pfizer climbed \$1% to \$63%, Bristol Myers-Squibb put on \$1 at \$55%, Schering Plough



added \$% at \$60%, and Merck rose \$1/4 to \$32%.

Selected oil stocks were also in demand. Exxon firmed \$% to \$65%, Texaco rose \$% to \$65%, Mobil added \$% at \$78% and British Petroleum ADRs climbed \$1% to \$58%.

Cyclical stocks eased with the wider market. Caterpillar dropped \$1/4 to \$82, International Paper slipped \$1/4 to \$67%, and General Electric fell

ever, were firmer, led by General Motors, which rose \$1 to \$47%. Certain technology stocks were also out of favour: Compaq fell \$1% to \$52%, Moto-

rola \$1% to \$93% and Texas Instruments \$2 to \$80%.
Disappointment that Philip Morris did not raise its dividend continued to hurt the stock, which fell \$11/4 to \$47%.

On the Nasdaq market, Novell plummetted \$2% to \$19 in reaction to Wednesday's late news of a third quarter loss (which included a charge) and several downgrades from broking houses. Other leading technology stocks also ran into heavy selling, with Microsoft down \$1% at \$72%, Apple down \$% at \$26% and Intel down \$%

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TORONTO (ell back in morning trading is investors took profits following recent strong gains, the in ex having Wednesday.

By noon the TSE-300 compos-

ite index was down 20.31 at 4.102.61 in volume of 29m shares. Among the sub-indices, financial services was off 20.61 at 3,042.07 and metals and minerals by 36.73 at 3,102.50.

Actives included Bombardier, up C\$% at C\$14%, and Placer Dome, off C\$% at

Conflicting reactions to Buba decision

THE Bundesbank's decision not to cut interest rates gave bourses one reason to backtrack yesterday, although Paris and Madrid managed to ignore it, urites Our Markets Staff. In parallel, there was a note

from Kleinwort Benson which, this year, has heavily over-weighted continental Europe at the expense of the US. Yesterday KB's chief strategist, Mr Albert Edwards, raised his US weighting from 23 to 30 per cent, and dropped continental Europe by seven percentage

points to 16 per cent. Since the beginning of the year, noted Mr Edwards, shares on the continent have risen by 25 per cent, against 5 per cent for the US. However, he said, US earnings are already some 25 per cent off their lows; earnings surprises so far in 1993 have been on the upside; and, on KB's valuation ratios, US equities now look cheap to fair value.

FRANKFURT weakened both during market hours, losing hope about interest rates as the DAX index closed 16.63 lower at 1,901.15, and in the post-bourse where the Ibis indicated DAX dropped another

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economic outlook and unexpectedly strong cor-

porate profits have led to a

The NZSE-40 capital index is

rally in New Zealand equities.

builtling around the 2,000 to 2,030 level that it last achieved

in January 1990. However, it is

still well below the 3.800 mark

set in 1987, and for much of the

current year, until June when

the present rally began, traded

within 100 points of its Janu-

ary low of 1,495. Since Monday,

when the index registered a 31/4-year high of 2,027.37, it

has fluctuated, closing yester-

Earlier this year the main

activity on the market was

being generated from overseas,

with steady buying in the

larger companies, particularly Brierley Investments, and

Fletcher Challenge, the for-

estry and energy group. As a result an estimated 40 per cent

of the shares in these compa-

At the same time, locally

based institutions tended to be ssive sellers of

stocks as they deliberately

sought to increase their over-

However, sentiment changed

sharply from June following a

series of economic stories

which showed unexpectedly

strong growth in the domestic

economy and good export

growth leading to a continuing

strong balance of payments

surplus. Sharp falls in interest

rates saw local investors seek

ing alternative investments,

and higher yielding equities

been strong critics of govern-

ment reform policies over the

past eight years, reported that,

because of low inflation - cur-

rently around 2 per cent - and falling debt and wage costs,

STRONG foreign demand for

De Beers, up R2.25 at R89.25,

all index rose 10 to 4,055. The

golds index ended 3 firmer at

1,759, Vaal Reefs adding R5 at

R353, and the industrial index

sted activity, and the over

SOUTH AFRICA

sed 1 to 4.623.

Manufacturers, which had

began to look underpriced

seas exposure.

nies are now held offshore.

day at 1,993.58.

Turnover rose from DM6.6bn to DM6.8bn. Prominent losers in share price terms included the bourse's top three stocks. Siemens, and the three blue chips which put out interim reports yesterday, BASF, Bayer

and Volkswagen.
Five of those six, noted Mr Jens Wiecking of Merck Finck in Düsseldorf, were major exporters, and vulnerable to weakness in the dollar promoted by German interest rate policy. The interim reports, although grim, were much as expected; Volkswagen, down DM3.70 to DM367.30 on the session and accelerating with a DM6.80 drop to DM360.50 in the post-bourse, seemed to suffer more from cynicism about its

recovery prospects. Siemens fell DM9.60 to DM666.40 on the session and by DM6.90 to DM659.50 in London after hours. It had been relatively strong recently, and seemed to attract forward selling from the DTB.

ZURICH ended lower as profit-taking evident earlier in the

Actuaries Share Indices Hourly changes Open 10.30 11.09 12.00 13.00 14.00 15.00 Close FT-SE Eurotrack 100 1308.74 1306.48 1305.45 1307.62 1306.34 1299.34 1296.22 1296.46 FT-SE Eurotrack 200 1386.27 1383.28 1383.23 1379.96 1379.44 1379.45 1380.49 1384.05 Ang 24 Ang 23 Aug 20

ers, SFr9 lower at SFr1,184, topped the active list and Nes-tle fell SFr16 to SFr1,101 as the blue-chip, SMI index dropped PARIS shrugged off the news

from Germany, only falling slightly in an immediate reaction, before climbing steadily during afternoon trading. The CAC-40 index closed up 14.30 at 2,173.61, a new high for the year, after a high of 2,180.98 and a low of 2,144.17.

Turnover remained good at

Brokers at the Paris office of James Capel reported a grow-ing belief that the French authorities would now act quickly to bring domestic interest rates down, particularly as the franc again came

under pressure in the currency exchanges. A decision could come as soon as the we they added, noting that the 5-10 day rate was another candidate for trimming from its present 10 per cent level to about 7.75

Among individual issues Peugeot was one of the few losers on the day, down lost FFr8 to FFr680 in reaction to disappointing results from Renault. AMSTERDAM fell back by over 1 per cent but dealers vere not excessively worried

that interest rates had been left unchanged. A weaker doilar also contributed to declines in those stocks with a heavy

The CBS Tendency index

day's low of 127.3. Unilever dropped Fl 3.30 to kers said, to news that Philip Morris of the US had failed to

increase its dividend.

Among the day's half year results, Internatio-Muller, the trading and transport group, added F1 5.50 to F1 68.50 following good figures, while Hage-meyer, the trading group, gained Fl 2.30 to Fl 98.30 after it saw a 20 per cent rise over the

KNP BT, the paper group, put on 40 cents to Fl 36.80 as its first half results also exceeded

MADRID tried to apply the brakes, the general index losing nearly three points early in the day; but its momentum reasserted itself and the index actually closed 1.71 higher at its third consecutive 1993 high of 299.52.

STOCKHOLM lost ground in spite of better-than-expected interim results from Volvo and Skanska. The Affärsvärlden general index lost 14.3 to 1,251.0 in turnover of SKr2.0bm. Volvo B shares rose SKr8 to SKr454 and Skanska SKr4 to

Corporate recovery supports NZ equities

The economic outlook also looks good ahead of the election, writes Terry Hall

Pacific Basin features a clutch of new record highs

A FALL in bond yields and lower short-term rates in the afternoon prompted late indexlinked buying, and share prices firmed on purchases by arbitrageurs and investment trusts, urites Emiko Terazono in Tokuo.

The Nikkel average gained 70.31 at 20,591.76 after a day's high of 20,594.56 and low of 20 482.95. The index moved within a narrow range on light profit-taking and technical waited for the auction results for East Japan Railway. announced after the close.

Volume, on the last trading day for August delivery. shrank to 190m shares from 213m. Advances outscored declines by 597 to 341, with 213 issues unchanged. The Topix index of all first section stocks put on 5.09 at 1,654.36 and, in London, the ISE/Nikkei 50

index edged up 1.17 to 1.262.85. The yield on the No 145 10year benchmark fell 6.5 basis points to 4.075 per cent. Traders said equity prices were supported by underlying specula tion of a cut in the official the other hand, the bleak outlook for imminent economic prospects and an upturn in corporate profits was preventing investors from committing

their funds. In the oil sector, Cosmo Oil forged ahead Y41 to Y940. The government's new policy to promote the use of solar power generators among domestic households pushed up Daido facturer, by Y17 to Y742.

Drug issues were firm, led by Tanabe Seiyaku which gained Y70 at Y1.130 on recommendations from a Japanese broker. Yamanouchi Pharmaceutical

and Sankyo both rose Y20 to Y2,400 and Y2,450 respectively. Hopes of government deregulation of the transportation industry supported ware-houses: Mitsubishi Warehouse and Transportation appreciated Y60 to Y1,890 while Mitusi

Soko advanced Y15 to Y950. Telecommunications-related issues posted further gains on hopes of government assisinfrastructure. Nippon Telegraph and Telephone climbed Y5,000 to Y943,000 and Fujitsu, the day's most active stock, rose Y6 to Y797.

Insurers were subjected to profit-taking: Tokio Marine & Fire dipped Y10 to Y1,340. In Osaka, the OSE average added 50.29 at 22,509.56 in volume of 55.6m shares.

Roundup

THREE NEW highs, and a recovery in Hong Kong, adorned a strong region. HONG KONG's turnover was

still thin, down from HK\$3.73bn to HK\$3.36bn, as the Hang Seng index improved 183.50 to 7,449.08 after a fall of some 300 points from its record close a week earlier.

HSBC, weakened in recent days by disappointing results from its Hang Seng Bank subsidiary, topped the actives list and recovered HK\$3 to HK\$83.50. Hang Seng Bank rose HK\$1.50 to HK\$55.50. After the close, Swire Pacific reported a drop in interim profits. This took the market down

about 70 points in London, but it ended only 25 lower after news of a land reclamation project

SINGAPORE's Straits Times Industrial index finished 34.10 up at a record high of 2,010.19, driven by institutional buying of index-linked stocks. Volume here rose from 263.06m to 277.28m shares. KUALA LUMPUP peaked for

the same reason, the KLSE composite index closing 6.06 ahead at 811.78 for its second consecutive 1993 high. JAKARTA soared to a new

7.07 stronger at 405.56. Astra International led the rise, climbing Rp1,500 to Rp17,500 in moderate volume on bullish speculation about its results. and on rights issue rumours.

AUSTRALIA decided that it

liked Wednesday's News Corp results after all, and the shares rose 33 cents to A\$9.65 as the All Ordinaries index advanced 18.9 to 1,941.5. Turnover was A\$478.2m. Market leader BHP moved up 20 cents to A\$15.78. BANGKOK saw active buy-

ing of banks as interest shifted from speculative towards fundamental attractions. The SET index put on 9.44 at 961.77 in turnover of just under BT8bn. KARACHI declined on news of US sanctions against Pakistan and China over alleged

arms-control violations, the KSE index finishing 10.39 lower at 1,315.65, after touching 1,308.81. SEOUL moved against the

trend with its fourth consecutive loss, the composite index weakening 9.36 to 695.74 in an atmosphere of depressed inertia. Turnover dropped from

-0.1 167.31 110.94 146.83 146.79 +0.4 2.19 187.49 185.94 109.80 146.44 146.26 169.68 137.32 137.88

they were finding it possible to cope with the rising strength of the New Zealand dollar.

Opinion polls also showed a strong rise in support for the pro-business National government, which now expects confidently to win the November general election on the promise of offering consistent policies. Ms Ruth Richardson, the finance minister, was able to portray the July budget, with its forecast reductions in the deficit and continuing economic growth, as a vindication of her determination to stick with often unpopular measures in the national interest.

In August, she introduced a new tax regime to encourage overseas equity investment which, brokers say, has spurred US interest in New Zealand. US investment has risen sharply following public-

110 Basin (noc. daysard) Jen

ity there about the successes New Zealand has had in implementing policies favoured by the so-called Chicago monetarist school of economists. Bell Atlantic and Ameritech

now control Telecom Corporation, international Paper manages Carter Holt Harvey, the largest forestry company, Wisconsin Central owns the national railway, New Zealand Rail, and other US companies have substantial investments in plantation forestry, and Brokers have reported the return of many investors who

had sworn that they would never touch a share again after the 1987 crash. Those returning have found that the stock exchange has reformed itself, with prompt sattlement procedures and tougher listing

Returning investors have also found most companies in strong financial shape. Many have low debt and strong cash flows, such as Telecom, or no debt at all, such as Caramco

and Steel and Tube, and are reporting strong profits rises. Telecom's surprisingly strong profits recovery has seen it add NZ\$1.20 in under a month, closing vesterday at NZ\$3.98.

The drive to cut debt extended to Fletcher Challenge which has been the second major stock to lead the rally, the first being Telecom. Fletcher Challenge's apparent reluctance to sell assets saw its price marked back last year from NZ\$3.80 to below NZ\$1.60 by October.

The group has since worked hard to re-establish itself, and cut its debt. Last week it reported better than expected results. This saw its shares hounce back to above NZ\$3.83. although it has eased back recently on profit-taking, to close yesterday at NZ\$3.68.

Every business decision should be well considered.

depends on having the right information available to you when you make decisions. Information on your market sector, for example. On your competitors. Or on national and international economic trends and forecasts. Or

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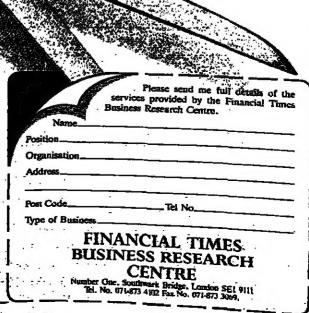
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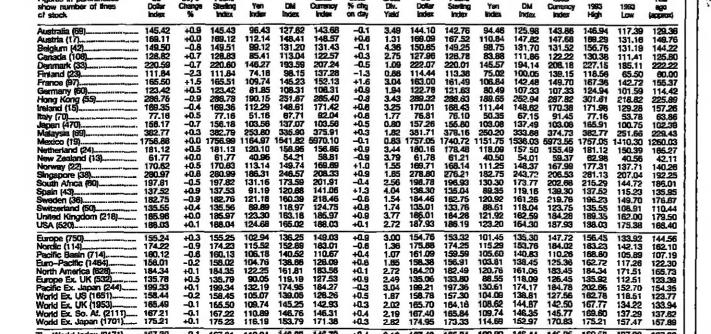
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